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ABSTRACT

The papers in this publication will help elementary and secondary educators integrate economic concepts and tools into consumer education courses. Responses to the papers are also included. There are eight chapters. Chapter one describes the project that is the subject of this publication and that resulted in the national seminar. The goal of the project was to provide a means through which consumer education and economics education could be integrated into school curricula. Chapter two, "What is Consumer Education?" provides a definition of, describes the purposes and objectives of, and presents a classification of concepts in consumer education. Chapter three "What is Economic Education?" examines the meaning of economic understanding and discusses why economics education is important. If our schools are to acquire greater economic understanding, advances need to be made in teacher training, curriculum revision, teaching aids, and research and evaluation. Chapter four discusses a model for integrating consumer and economic content into the K-12 curriculum. Chapters five and six analyze the content of consumer education texts. In particular, the author looks at how the books treat credit, transportation, housing, and public goods and services. The topic of chapter seven is designs and instruments for evaluating economic and consumer education. The concluding chapter contains a summary of seminar presentations and reactions. (RM)

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CONSUMER EDUCATION and ECONOMIC EDUCATION in the PUBLIC SCHOOLS

SP 014 121

Judith Staley Brenneke, Editor

Joint Council on Economic Education

U.S. Department of Education
Office of Consumers' Education

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FOREWORD

Developing economic understanding and an economic way of thinking through consumer education courses has been a focus of the Joint Council on Economic Education for a number of years. Recent research funded by the Office of Consumers' Education has also indicated the need for the inclusion of economics in the consumer education units of study.

Very little work has been completed on how to integrate economic concepts and tools into various consumer education courses and units of study. The primary purpose of this project was to have leaders in consumer and economic education share what has been done and what should be done to integrate economics into consumer education units. A related purpose was to look at evaluative measures which have been used in consumer and economic education.

The papers and reactions recorded in this document do not provide all of the answers as to how this integrative process should take place. They do, however, provide some new insights which add considerably to the base of knowledge as to how the marriage between consumer and economic education can occur.

On behalf of the JCEE, appreciation is extended to Dr. Judith Staley Brenneke, Project Director, her staff, the Advisory Committee for the project, and the various participants in the program for providing a professionally stimulating seminar. The Proceedings certainly reflect the high caliber of presentations. Hopefully, the presented papers will be the springboard for further research and study in the future.

John E. Clow, Director, Business and Consumer Economic Programs
Joint Council on Economic Education

ACKNOWLEDGMENTS

This volume is a record of the proceedings of the national seminar on Consumer Education and Economic Education in the Public Schools conducted July 9–11, 1980, in Itasca, Illinois. The project was funded by a contract from the Office of Consumers' Education (OCE), U.S. Department of Education, through the Joint Council on Economic Education (JCEE).

I would like to express my appreciation to all the individuals who helped make the seminar possible. This list includes the participants, who made the seminar a stimulating intellectual experience; the project advisory committee members, who offered their direction throughout; the JCEE staff, which gave its assistance and endorsement; and the OCE, which provided the funds needed to conduct the seminar and publish these proceedings and the companion monograph, *Integrating Consumer and Economic Education Into the School Curriculum.*

Special acknowledgment is due to selected individuals who helped with different phases of this project. Dr. John E. Clow, Director of Business and Consumer Economic Programs for the JCEE, contributed to the successful completion of each phase of this project. Sue Prestegaard, project secretary, assumed a large responsibility for activities throughout the project and continually exhibited a sustained patience and optimistic attitude. William Carlson, Rockford Schools, and Carol Hall, Northern Illinois University, were of great assistance in the review of papers for these proceedings and the conduct of the seminar. Jean Caldwell diligently performed as copy editor for these proceedings. Without the services, professional skill, and judgment of these people, it is unlikely that the seminar and the publications would have become a reality. I deeply appreciate their help.

Finally, as editor, I wish to acknowledge that although many people helped with this project, any remaining errors are my responsibility. In like manner, it should be understood that the views and professional judgments expressed in this publication are those of the authors and are not the official position of the editor or the sponsoring organizations.

Judith Staley Brenneke, Northern Illinois University

Chapter 1 Toward the Integration of Consumer and Economic Education

Toward the Integration of Consumer and Economic Education—
Judith Staley Brenneke

Toward The Integration of Consumer and Economic Education

Judith Staley Brenneke

Each year curriculum specialists and developers must deal with the difficulties posed by adding new units to a curriculum that is already crowded. The problem usually arises because of new mandates from the state or the district or increased interest among teachers or the public. It is clear that a demand for "consumer economics" is increasingly being voiced. Such a demand raises particular questions such as (1) What is consumer economics and how does it differ from consumer education? (2) Why should it be taught? (3) In what grade(s) should it be taught? (4) What are the optimal methods with which to incorporate consumer economics into the curriculum?

The goal of the project that is the subject of this publication was to provide a means through which consumer education and economic education could be integrated into school curricula. The project was sponsored cooperatively by the Joint Council on Economic Education (JCEE) and the Office of Consumers' Education (OCE), U.S. Department of Education. Both of these organizations have had a history of encouraging this integration; however, this was the first joint effort to achieve these ends.

As a part of its legislated mandate, the OCE is responsible for the development of curricula (including interdisciplinary curricula). To accomplish this the OCE has in the past funded a variety of papers, reports, and projects. While these projects have employed the expertise of educators from the fields of consumer, economics, education, business, and labor, there has been minimal success in involving teachers and curriculum developers.

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In 1977 an OCE publication, *Consumer and Economic Education (K-12): A Comparative Analysis*, [3] reported on a study undertaken to examine the interrelatedness of consumer and economic education. Again, the involvement of teachers and curriculum directors as a result of this publication was limited. Because of this, the OCE was interested in funding a contract to develop this integration and to bring it to the attention of classroom teachers and curriculum developers.

The JCEE, with 49 affiliated state councils, over 220 university centers, and over 550 cooperating school districts, is the most extensive and respected economics education organization in the United States. Within the JCEE's programmatic efforts, emphasis is placed on patterns of thinking and analysis using the tools of economics to address social and individual issues. Because of its interest in the inclusion of economics into the consumer education curriculum, the JCEE has developed a variety of teaching materials, publications, institutes, and training programs in the consumer economic area.

DESCRIPTION OF THE PROJECT

The purpose of this project was to utilize the expertise of leaders in the fields of economic education and consumer education to critique and expand the framework of economic/consumer integration begun in past OCE projects. It was determined that three steps would be necessary to accomplish this task:

- Contract for position papers on "What is Consumer Education?"; "What is Economic Education?"; "Examination of the Integration of Consumer and Economic Education"; "Analysis of Content in Two Units: Credit and Transportation"; "Analysis of Content in Two Units: Housing and Public Goods and Services"; "Evaluation Designs and Instruments for Economic and Consumer Education."
- Provide a forum to facilitate delivery of, reaction to, and discussion of the position papers.
- Publish proceedings containing these papers.

A further purpose of this project was to provide usable information to school administrators, curriculum developers, and classroom teachers interested in integrating consumer and economic education into local curricula. To achieve this, the following tasks were accomplished:

- Development and publication of a monograph, *Integrating Consumer and Economic Education into the School Curriculum* [2] which outlines a structure for introducing consumer economics education by providing: (1) a rationale for including consumer economics in the curriculum; (2) a methodology to help establish an appropriate sequence for the introduction of specific economic con-

cepts; (3) a procedure by which consumer economics can be integrated into the existing curriculum.

- Obtaining reactions to the ideas expressed at the seminar and developed through the preceding monograph at the following association meetings:
  JCEE Seminars for Consumer Education Methods Teachers (July, 1979, and July, 1980).
  National Association of Affiliated Economic Education Directors (October, 1980).
  National Council for the Social Studies (November, 1980).
  Northeast Regional Conference on the Social Studies (February, 1981).
  American Council on Consumer Interests (April, 1981).
  National Business Education Association (April, 1981).
  Western Economic Association (July, 1981).
- Use of the structure developed in this project in future JCEE projects including: the National Consumer Economics Project materials and training programs, evaluation instrument development, and the television series *Economics and the Individual.* [4]

THE PROJECT FINDINGS ON THE ROLE OF ECONOMICS IN CONSUMER EDUCATION

A primary focus of economics is the study of how resources are allocated, and the assumption undergirding economics is that there are limited resources compared to people's wants. Economics thus provides tools to help decision-makers estimate the effects of alternative ways to use resources. Many of these economic tools are universal in that they can be used by individuals and groups of individuals in deciding on resource use.

The focus of consumer education is on the individual. Consumer education primarily deals with preparing students to become better decision-makers in using their individual resources, such as money and time. In order to make these decisions effectively, individuals must understand their economic environment, including how they can affect economic institutions (i.e., the marketplace, government, etc.) and how existing economic institutions can, in turn, affect their decisions. In other words, consumer education focuses on the individual, but not in isolation.

The need for a broad perspective or context underscores why economics should be a part of the consumer education curriculum. Economic concepts assist in the analysis of alternative choices and their consequences, thereby allowing individuals to make more informed judgments about how to use their resources.

A number of schemata have been used to identify consumer economic concepts. The most common method has been to assume that all concepts noted on a given list are equally important (for example, see Royer, Bannister, Bymers, and Morton in this volume).

However, it can be argued that economic concepts can and should be presented in a hierarchical manner. For instance, it is extremely difficult to deal with the concept of government intervention and regulation without first achieving an understanding of supply and demand, competition, and market structure. Without an adequate understanding of the simpler or more basic economic concepts, it may be extremely difficult for the consumer education student to examine intelligently more complex economic concepts or issues.

Another consideration is the limited amount of time allocated to the consumer education curriculum. Economics isn't the whole story in a consumer studies program. "Although consumer education that does not include solid economic understanding is misnamed, consumer education also deals with skills and understandings that do not necessarily include an economic basis" [see Bymers in this volume].

IDENTIFICATION OF ADDITIONAL NEEDS

During the two-year course of this project additional needs have been identified by participants in the seminar and in subsequent meetings:

- Additional opportunities for leaders in the field of consumer and economic education to meet for discussions and debate on similar issues. One of the most postive rewards of this project was the opportunity for leaders in these fields to discuss and debate intensively the orientation, priorities, and needs of consumers.
- Identification of the objectives of consumer education. Problems were found with conflicting definitions of terms, differences between positive and normative propositions, and movement of the subject beyond buying skills.
- Application of the Hierarchy of Consumer Economics Concepts to all consumer education units. The Hierarchy, developed in the monograph through this project, has gained acceptance as a tool for curriculum integration. This Hierarchy was applied to the consumer education unit of "housing" in the monograph and to the unit of "foods" in the publication *The Big Brown Bag: The American Food System*. [1] Participants at virtually all the association meetings felt that this Hierarchy should be applied to additional consumer units as an aid to the classroom teacher.
- Review of the Hierarchy after its use in the classroom. This structure has been utilized in training classroom teachers, but as yet has not

been tested in curriculum development projects in the schools. Also, as the Hierarchy is a "positive" examination of what concepts are currently used in materials and curriculum, the review should also examine what *should* be included.

- Development of nationally normed evaluation instruments in consumer economics. The Hierarchy serves to identify the economic content most applicable to consumer education. However, until the field of consumer education is adequately defined, it will be difficult to develop evaluation instruments for use by curriculum developers and classroom teachers throughout the country. This is a serious void in attempts to integrate this curriculum.

SUMMARY

This project was designed to provide a means through which consumer education and consumer economics could be integrated into the school curriculum. This was accomplished through the following phases:

- Selection of topics for position papers and discussion which would lead to this process of integration and contracting with leaders in the field of consumer and economic education to address these topics. Their responses are contained within these proceedings.
- Provision of a forum for discussion by leaders in the fields of consumer and economic education on the integration of these subject areas within school curriculum. This was accomplished through the seminar, July 9-11, 1980, in Itasca, Illinois. The names of participants in this seminar are contained in these proceedings.
- Development of a monograph for use by classroom teachers and curriculum developers which outlines a structure and a process for integrating these subject areas within the school curriculum. This was achieved through the publication *Integrating Consumer and Economic Education into the School Curriculum.* [2]
- Feedback and discussion on the ideas and structure developed through this project. Such responses were obtained at sessions, workshops, and presentations at a variety of professional association meetings.
- Use of the ideas and structure developed through this project. This has been assured through a variety of ongoing and future JCEE projects involving teacher training, materials development, evaluation instrument design, and classroom aids.

While it cannot be argued that the task of fully integrating consumer and economic education has been accomplished as a result of this project, it can be stated that significant progress has been made. Much,

however, remains to be done. Some suggestions to facilitate the process are included above and others will hopefully surface as a result of this publication. To this end, comments are hereby solicited.

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Chapter 2 What Is Consumer Education?

What Is Consumer Education? – *Rosella Bannister*

Response – *Stewart Lee*

What Is Consumer Education?

Rosella Bannister

Consumer education is entering a significant period of growth and change in the 1980s. Traditionally, the central focus of consumer education in the schools has been on decision-making related to personal money management and buymanship. While these topics remain important to consumer education, there is a need to strengthen consumer citizen participation in the social, political and economic environments which affect consumer decisions. Based on the work of the Consumer Education Development Program (CEDP), this paper will present a definition of consumer education, describe the purposes and objectives of the field, and identify the concepts which establish the content considered essential for consumer competence in an increasingly complex society.

I. A DEFINITION OF CONSUMER EDUCATION

In an era of shortages, there is no scarcity of definitions of consumer education. The following definition evolved from CEDP staff analysis of the major consumer education textbooks, curriculum guides, journals, reports, and program descriptions over the past 10 years, as well as from discussions with educators in both traditional and non-traditional educational settings:

> Consumer education is the study of the knowledge and skills needed by individuals and groups in managing consumer resources and taking actions as citizens to influence the factors which affect consumer decisions (Bannister and Monsma, 1980).

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The concepts and skills implied in this definition come from economics, sociology, psychology, anthropology, political science, mathematics, and the applied areas of home economics and business education, among others (Monsma and Bannister, 1979, p. 10). Consumer education, then, is multidisciplinary by design; it draws from and contributes to a number of academic and vocational disciplines.

A unique element of consumer education which differentiates it from other areas of study is its focus on the consumer decisions which relate to interactions between consumers and producers in the economic system. This distinction in part explains the centrality of economics to consumer education. Consumers need knowledge of the economic system within which consumer-producer interactions take place (Bannister and Monsma, 1980).

Economist Lucy Black Creighton supports the emerging broader view of consumer education. She holds that too often teachers have been restricted by a narrow view of consumption, one that results in a distorted view of the consumer role. She states:

> Conventional economic theory defines consumer well-being in terms of getting the largest quantity of goods from a given income. According to this theory, competitive markets and consumer information guarantee consumer well-being and that consumers, not producers, will be in power. In such a model, the consumer is king; there is no need for advocacy or representation of the consumer interest (1979, p. 260).

The central theme of Creighton's *Pretenders to the Throne* provides a major challenge to consumer educators: If consumer education is to improve the well-being of consumers, it must question the theory of rational, sovereign consumers operating in a kind of consumer-producer environment that no longer exists (1976).

Robert Herrmann's study (1979) of the historical development of consumer education reaffirms the view that this area of study has been largely unresponsive to social and economic changes. The channels and techniques which could be used in consumer representation and participation to influence change are seldom mentioned in consumer education textbooks.

Herrmann's plea for consumer education to encourage greater participation by individuals in their consumer-citizen role is not new; it simply has not been given the time and attention it deserves in the classroom. Nearly forty years ago Mendenhall (1941) called for the training of consumers to become informed consumer-citizens, able to act not only on their own behalf but also for the welfare of consumers as a group. Thirty years after Mendenhall, Lovenstein stated in a preface to a 1971 Joint Council on Economic Education publication:

> Personal economics is the study of the individual's decision-making and participation in economic life in the roles of

> income producer and receiver, consumer, and citizen—with emphasis on his activities of earning, spending, borrowing, saving, investing, and influencing collective decisions as a citizen of the economic community (Canfield).

Lovenstein's concept of participation to influence collective decisions, while never fully developed into classroom teaching strategies, was framed in terms of the consumer's role within the economic community. The CEDP approach is to broaden that perspective to include the consumer's role in a variety of environments which affect consumer decisions, including social, political, ecological, and technological influences, as well as economic.

The Consumer Decision-Action System (Bannister and Monsma), Figure 1 illustrates the idea that consumers influence and are influenced by both personal and external factors as they make decisions and take actions in the areas of resource management and citizen participation. This system becomes the framework around which the purposes and objectives and the concepts of consumer education can be tested and refined.

II. PURPOSES AND OBJECTIVES OF CONSUMER EDUCATION

A primary focus of consumer education has been to teach individuals to become more skilled and rational buyers. Consumer influence is usually limited to a passive or reactive acceptance of existing marketplace conditions. These conclusions are based on a review of the literature and of existing programs in a study conducted by the National Consumers League in 1979 (Willett).

An underlying objective of consumer education aimed at meeting current and future needs of consumers is:

> Individuals and groups who participate in consumer education programs will gain competence in the knowledge and skills needed to make decisions and take actions as informed and responsible consumers in a broad range of consumer behavior modes (Bannister and Monsma).

Figure 2 illustrates the potential impact consumer education has on various modes of consumer behavior, ranging from coping and questioning to participating as citizens to influence change.

- *Coping* includes applying basic consumer survival skills to everyday situations. Coping usually implies acceptance of existing conditions with an emphasis on "making do" rather than planning for future needs.

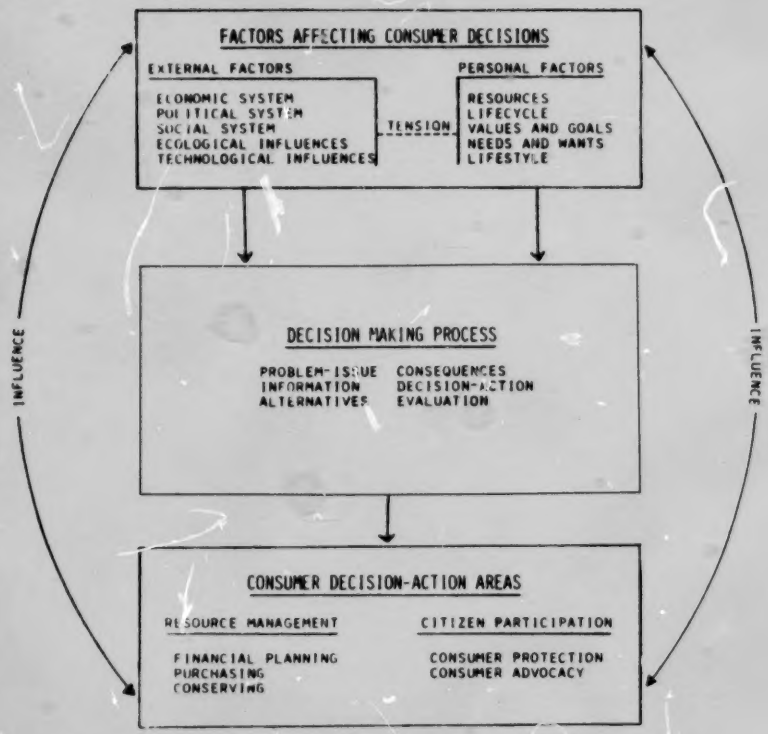

Figure 1. Consumer Decision-Action System*

*Adapted from Suzanne Dale Wilcox, *A Conceptual Framework for Consumer Education Curricula*, City University of New York, January, 1980.

- *Questioning* is an important analytical skill which encourages a think-for-yourself attitude. It teaches consumers to ask questions before purchasing, and to challenge misinformaton and fraud. Questioning may result in a decision not to buy.
- *Planning* includes the process of managing financial resources after considering goals, needs, and available resources. It includes obtaining income as well as spending, saving, investing, borrowing, protecting, and taxpaying.
- *Purchasing* is the application of the decision-making process to buying goods and services. It involves seeking and using information, considering alternatives and consequences, and selecting the product or service by using appropriate criteria.

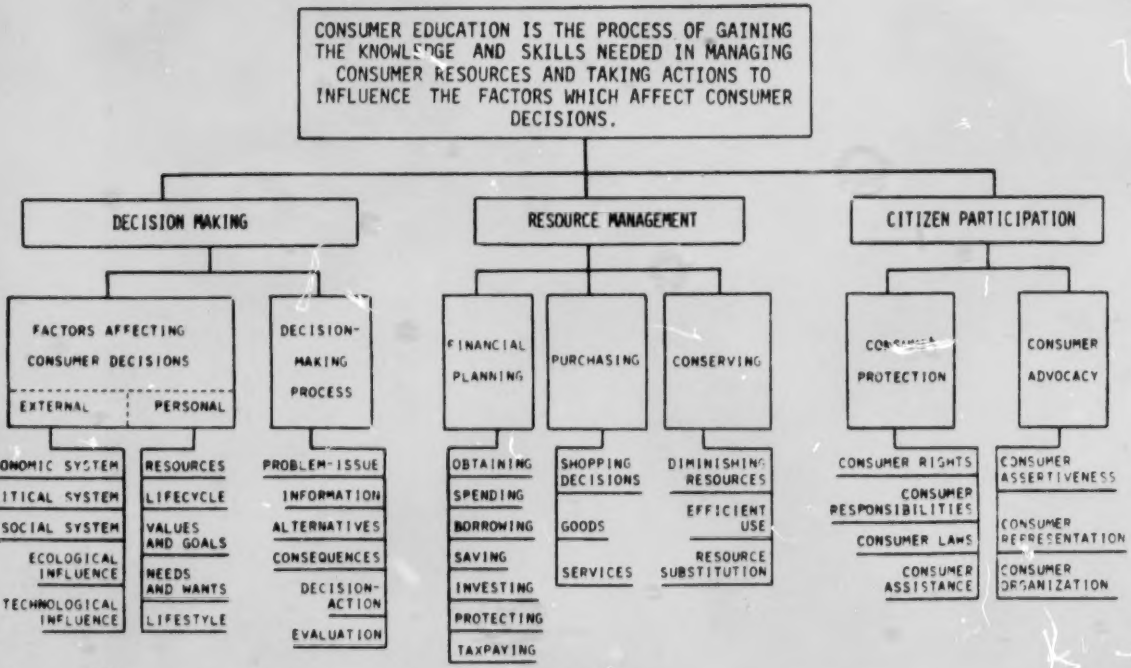

Figure 2. Consumer Education: Potential Impact on Consumer Behavior

- *Conserving* encourages consumer actions that preserve or use resources efficiently rather than wastefully.
- *Participating as citizens* supports consumer involvement in business, government, and community policy decisions. The process includes questioning, analyzing, and suggesting alternative solutions to consumer issues and problems.
- *Influencing change* promotes an awareness that consumers, through active participation, can exercise power to modify those policies, institutions, and systems within society which affect consumer interests (Willett; Wilcox, 1979; Wilcox, 1980; Bannister and Monsma).

While this coping-to-influencing continuum suggests sequential behavior, it is not intended to be a rigid hierarchy. Consumer education provides the skills for individuals to enter at any point along the continuum. Based on an understanding of a particular situation, consumers make the decision as to which behavioral mode to select.

As consumers energize the Decision-Action System by taking action at any point on the continuum, they will confront controversial issues or adversary situations which result in tension and conflict. Examples include conflicts between buyers and sellers, tensions caused by conflicting values within individuals and groups, and tensions caused by economic, social, and political policies which may work at cross-purposes.

Consumer educators traditionally have taken a cautious position on controversial issues, usually leaving the task of analyzing issues to activists in the consumer movement, generally outside the classroom. With balance and objectivity as basic education objectives, consumer educators should welcome the opportunity and responsibility to teach analytical skills through the study of controversial issues from a variety of perspectives.

III. CLASSIFICATION OF CONCEPTS IN CONSUMER EDUCATION

What is consumer education? Building upon a general definition and a statement of the purposes and objectives, the next step is to identify the concepts which make up the content of consumer education. The CEDP Classification of Concepts arranges the concepts into three broad categories – Decision-Making, Resource Management, and Citizen Participation. (See Figure 3.)

Decision-Making

Consumer decision-making, which includes both the act of choosing and the conditions of choice, becomes a foundation for the entire field of study. Under decision-making, the two major concepts are the external

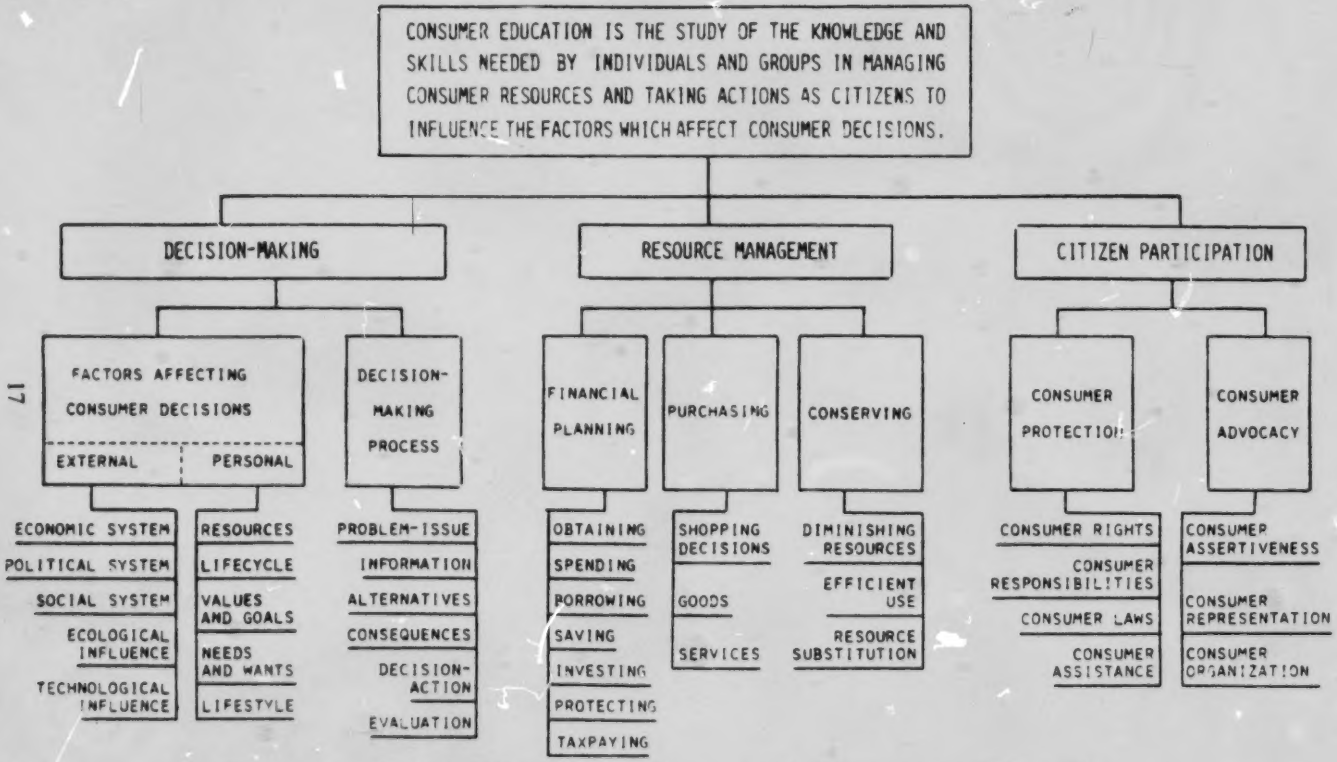

Figure 3. A Classification of Concepts in Consumer Education

and personal factors affecting consumer decisions, and the decision-making process. These concepts establish the framework within which consumers carry out the activities of financial planning, purchasing, conserving, and participating as citizens to influence the environments in which consumer decisions and actions take place.

The *external* factors which affect consumer decisions include the economic, political, and social systems along with ecological and technological influences. The *personal* factors include resources, life cycle, values, goals, needs, wants and lifestyle. Each of these concepts is divided still further into sub-concepts in the CEDP publication *Classification of Concepts in Consumer Education* (Bannister and Monsma).

Reaching consensus on the economic concepts which are important to consumers is seen by Manzer (1979) and others as an unfinished task. Educators generally agree, however, that consumers must have a working knowledge of the U.S. and world economic systems if they hope to influence the broad economic decisions which affect their daily lives. While the relationship between economic education and consumer education is strong, it would be inaccurate to imply that either field subsumes the other. Each field has a different scope and focus, with many areas of overlap. In the CEDP study, the following economic concepts were selected as those which seem most directly related to consumer decisions:

- Mixed Economy
- Scarcity
- Supply and Demand
- Price
- Competition
- Economic Problems of Unemployment and Inflation
- Economic Concentration
- Monetary Policy
- Fiscal Policy
- Productivity
- Economic Growth
- International Trade
- Interdependence
- Income distribution

While it is convenient to isolate concepts for analytical purposes, in reality concepts merge in endless combinations. For example, the economic problem of inflation has many facets, as described by social researcher Daniel Yankelovich:

> It would be a great mistake to address the problem of inflation exclusively in economic terms, thereby failing to come to grips with it as a social-political issue. . . . If these [factors] are not confronted as directly and cogently and seriously as the purely economic factors, a proposed solution may be academically or technically correct but it will not be implemented, or if implemented, will not work (1979, p. 20).

The economic system, then, should be considered along with social, political, ecological, technological, and personal factors when studying consumer decision-making.

The second major concept category within decision-making, the actual decision-making process, is divided into the following components: problem or issue, information, alternatives, consequences, the decision and resulting action, and evaluation. While the entire process is in some sense sequential, each of the components is part of an interacting system. Consumers apply principles of decision-making, consciously or unconsciously, when making choices about lifestyle, employment, money management, purchasing, conserving, and participating as citizens.

Effective decision-making can yield high payoffs in terms of increased purchasing power, personal satisfaction, and a feeling of control over the use of resources. Assertive decision-making can also be a powerful preventive tool, instilling an attitude of self-confidence rather than helplessness when confronting problems. As consumers weigh alternatives and make decisions based on a predetermined set of criteria, the related concepts of opportunity cost and trade-offs are useful tools.

Resource Management

The three major concepts under resource management are financial planning, purchasing, and conserving. Traditionally, money management and buymanship have been important to consumer education, and they remain so today. Business and consumer writer Sylvia Porter speaks directly to our lack of personal financial skills:

> Your reluctance to look hard to your own financial habits feeds on itself; you end up frightened, guilty, confused. Since you feel neither trained nor qualified to deal with money, you procrastinate, sometimes crashing head over heels into debt, other times falling prey to a fast-talking con artist or "expert" who sounds as though he knows all the answers. And often you just muddle through, hoping that you can make it through life before your ignorance catches up with you, and you discover too late the answers to so many questions you never took the time or worked up the courage to ask (Porter, S., 1979).

In the 1980s, consumer education should increase efforts to provide training in the concepts of financial planning and purchasing. Since economist Wesley Mitchell in 1912 discussed the relationship between earning and spending in his essay "The Backward Art of Spending Money," educators have recognized the need to strengthen the linkages among educations, employment, and the opportunity to achieve an acceptable level of living (Porter, J., 1979). Esther Peterson, Special Assistant to the President for Consumer Affairs, agrees with Mitchell that the schools usually do a better job of teaching people how to earn money than how to spend it wisely (1979), but without employment skills which can be used to earn income, the concepts of financial planning and purchasing are of limited interest.

The concept of conservation, though not new to consumer education, is gaining respectability in the 1980s. The conservation-oriented lifestyle, sometimes called voluntary simplicity, may become a significant social movement in the United States, brought about by the deepening energy crisis and the possibility of serious economic adjustments. Researchers at Stanford University define voluntary simplicity as "the degree to which an individual selects a lifestyle intended to maximize his/her direct control over daily activities and to minimize his/her consumption and dependency" (Leonard-Barton and Rogers, 1980).

Among the forecast implications of the voluntary-simplicity movement are:

- energy conservation more widely accepted and practiced.
- a change in consumption patterns, with increased interest in do-it-yourself services and goods which can be recycled.
- a growing desire for control over the quality of life, with less concern for the trappings of social-economic status (Leonard-Barton and Rogers, p. 8).

Alvin Toffler, author of *The Third Wave*, also forecasts shifts in work-styles and life arrangements, brought about in part by the do-it-yourself movement. Toffler suggests the following as evidence that the trend has begun: self-help in medical services, direct long-distance dialing, home computers, self-service gasoline pumps, electronic banking, and do-it-yourself appliance and auto repair (1980, pp. 285–288). The rise of the "prosumer" which Toffler defines as the fusion of the producer and consumer role, with individuals producing goods and services for their own consumption, will, according to the author, alter traditional economic concepts such as markets, income, welfare, efficiency, productivity, growth, poverty, and unemployment (pp. 297–299).

How do American high school students feel about the forecast move away from materialism and toward conservation? Each year researchers at The University of Michigan's Institute for Social Research survey more than 18,000 high school seniors about their opinions on such things as conservation, materialism, equity, social problems, and change. In the 1978 survey, more than 80% of the high school students felt that people are too concerned with material things these days. Seventy-six percent of the students thought that there will probably be more shortages in the future, so Americans will have to learn how to be happy with fewer things (Bachman *et al.*, 1980, p.90).

While the University of Michigan study will continue to track shifts in students' opinions over the years, it would be interesting to know how many are actually willing to modify their personal consumption patterns. Consumer education can provide a framework upon which students can make decisions about changing values, lifestyles, and consumption behavior in a culture long oriented to materialism, growth, and the assumption of abundant resources.

Recognizing that the application of knowledge in any field is rarely

totally neutral, consumer education encourages the analysis of problems, issues, decisions, and actions from the perspective of the discerning consumer. To impose a detailed set of values upon the learner is not the purpose of consumer education, yet the field generally agrees upon such core values as efficient management and use of consumer resources, conservation in contrast to wastefulness, and the rights of consumers to participate as citizens in social, political, and economic policy decisions.

Citizen Participation

The two major concepts within the citizen participation category are consumer protection and consumer advocacy. The concept of consumer protection includes exerting rights, assuming responsibilities, applying consumer laws, and using consumer information and assistance. The consumer advocacy concept includes individual consumer assertiveness, collective action such as consumer representation on government and business policy boards, involvement in legislative and regulatory processses, and the organization of consumers to influence change.

Joseph Tuchinsky, a social studies teacher and currently director of the Michigan Citizen's Lobby, observes that too much of today's consumer education simply copes with the givens. He suggests that we should teach students not only to understand existing institutions but also to use legislative, judicial, and administrative processses to initiate change when necessary (1978).

Consumer agency administrator, Tim Ryles, speaking at a Chicago meeting of the Society of Consumer Affairs Professionals in Business (1979), observed that teaching consumers to cope is reactive, and that assertiveness, though a useful skill, is an underdog strategy at the margin rather than at the center of power. He too suggests that consumers need training in an entirely new set of skills, chiefly political ones, if they are to progress beyond coping into strategies to influence change.

In the 1978 report of a comparison of key assumptions of consumer and citizenship education, Richard Remy points out that in reality our behavior in roles such as citizen, consumer, and worker often merge, while education in the schools to prepare us for these roles is usually fragmented. Remy builds a case for a fusion of the citizen-consumer role when planning instructional programs that integrate the knowledge and skills associated with consumer and citizenship education. Among the skills needed by people in their consumer-citizen role are:

- deciding what questions to ask
- deciding how to gather information
- recognizing the need to use criteria in making a judgment
- stating an argument clearly
- calculating the costs and benefits of one solution over another
- mobilizing resources on behalf of a cause
- negotiating and bargaining effectively

Citizen participation is not new to the consumer movement. Those patriots who dumped the tea into Boston Harbor were participating in a consumer protest even as the American Revolution was taking shape, and still today consumers organize to influence political and economic events which affect them.

Teaching the techniques of advocacy is no less appropriate to the educational process than teaching the techniques of comparison shopping or wise use of credit; each has its proper place in the catalog of necessary consumer skills.

Consumer education, if it is to be truly meaningful, must prepare individuals with the ability to deal with change and uncertainty through sound decision-making practices related to consumer resource management and citizen participation. The challenge of consumer education in the 1980s will be to maintain a balanced perspective in addressing the special needs of consumers in keeping with the common goals of society.

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A Response to "What Is Consumer Education?"

Stewart M. Lee

It is always easier to be a reactor to an address or an article than to be responsible for the work being reacted to. So I am assuming my responsibility fully aware that my task is easier, but that I have a responsibility to react in such a way that something of value is added and that the reaction does not become just a "rehash" or a series of negative responses.

In "What is Consumer Education?," Rosella Bannister has done a fine job in drawing together in a coherent fashion many significant points in answering both an intriguing and difficult question, defining consumer education.

With the statement, "Consumer Education is multidisciplinary by design," I believe that an immediate problem arises with the regard to the most effective way to handle consumer education in the school system. A very significant problem with consumer education and getting it into the curriculum is that it is not an accepted discipline in and of itself. Will it ever be? Drs. Milton and Rose Friedman wrote in *Free to Choose*:

> The structure of disciplines—physics, chemistry, meteorology, philosophy, humanities, sociology, economics—was not the product of a deliberate decision by anyone. Like Topsy, it "just growed." It did so because scholars found it convenient. It is not fixed, but changes as different needs develop. Within any discipline the growth of the subject strictly parallels the economic marketplace. Scholars cooperate with one another because they find it mutually beneficial (1980).

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In addition, in most schools the person who is teaching consumer education does not have it as his/her major teaching responsibility. The math teacher teaches math; the English teacher teaches English; but who teaches consumer education?

Then, what approach should be used in teaching consumer education? Here one needs to analyze the ideal approach and realistic approaches. The types of approaches which have been tried in teaching consumer education over the years have included the individual teacher approach, the team teaching approach, the interdisciplinary approach, and the system approach (President's Committee on Consumer Interests, 1970). The last approach is a system-wide commitment involving students, teachers, administrators, parents, business, consumer organizations, and other community interests. One of the most successful system approaches was used in the state of Massachusetts, in a school system cooperating with the State Director of the Bureau of Elementary and Secondary Education, Lawrence M. Bongiovanni. A very successful interdisciplinary approach was used at Lincoln High School, Yonkers, New York, under the direction of its principal, Arthur A. Natella, and the social science teacher and coordinator, David Schoenfeld (Consumers Union, 1965).

In attempting to answer the question "What is consumer education?," it is essential that those who have the responsibility be fully aware of the answer.

If consumer education is to be taught from a multidisciplinary approach, the question I would raise is whether this presents problems that are almost insurmountable in getting the job done. A problem is that when everyone is in charge, no one is in charge. When everyone has a responsibility in teaching consumer education, who really is responsible?

Therefore, we not only have the problem of defining consumer education, but also have the problem of determining in what department the subject should be placed, and who should have the responsibility of teaching the subject. I am not certain that there will ever be a generally accepted consensus concerning these problem areas.

In the paper the point is raised about consumer education's "focus on the consumer desicions which relate to interactions between consumers and producers in the economic system." The point should be emphasized that there is a sharp conflict between the interests of the producers/sellers and those of consumers. The consumer would generally like to get as much as possible in goods and services for as little expenditure of money as possible, while the producer/seller would like to get a lot of money for making or selling as little as possible. In the marketplace, there is a meeting of the amateur/consumer and the professional seller. There is a setting for a conflict of vested interests. If the market is operating properly, neither the producer/seller nor the consumer should be able to take unfair advantage of the other. What we should see happening is a fair exchange—an adequate product or service being sold at a reasonable price and returning a fair profit. Even though both parties to a transaction have different vested interests, there is a

mutuality of interests also, and the market can serve both parties well. This becomes truer if the consumer can be brought through consumer education closer to the position of a consumer professional, so that he/she can compete in the marketplace on a more equal basis with the professional seller.

The paper states that the Consumer Education Development Program is to broaden the perspective of the consumer's role to include a variety of environments which affect consumer decisions, including social, political, ecological, and technological influences, as well as economic. I believe that this presents a serious challenge to consumer educators to answer the question of how all-encompassing should consumer education be. I believe that there can be a problem if the scope of consumer education is broadened too much, if it includes so many parts of other areas of activity that it ends up becoming all things to all people and nothing of depth to anyone. There is a delicate balance that has to be maintained here, and this represents a real challenge to consumer educators. We are all well aware that in recent years, as the consumer movement has gained in popularity and publicity, many groups have tried to improve and expand their public image by attempting to come under the umbrella of all that one might include in the term "consumerism."

I have just raised a question about the problem of including too much under the umbrella of consumer education. I would now like to suggest that there is a serious omission in consumer education as taught by many teachers, and that the same omission exists in consumer text-books. This deals with an area that both textbook writers and educators seem to choose to ignore. This topic is discussed in my article, " 'Wealth,' 'Nealth,' and 'Illth' and the Responsibilities of the Consumer Educator."

> If consumers are to make intelligent choices they must know that some goods and services promote their well-being (they are referred to here as "wealth"), others neither promote nor retard well-being ("nealth"), and still others may have harmful effects ("illth"). Although these concepts are very real to the consumer, they are difficult to work with objectively and in the aggregate. Who is to judge what constitutes wealth, nealth, or illth? Consumers are not born with an intuitive sense that enables them to choose only what is good for them. They must learn from others. What is your responsibility as a consumer educator in discussing with students the characteristics of certain goods and services and in encouraging students to measure these characteristics against the definitions of wealth, nealth, and illth? (1975, pp. 12-13; see also Gordon and Lee, 1977).

Why are consumer educators willing to include under the heading of safety and protecting the consumer's welfare a discussion of Underwriters Laboratories' mark on electrical appliances, and yet avoid,

consciously or unconsciously, a discussion of harmful consumption practices which would include such items as tobacco products and alcoholic beverages? A life saved because a consumer was alerted to the hazards of cigarette smoking is every bit as important as a life saved because a consumer was cautioned to buy an electrical applicance bearing the Underwriters Laboratories' seal. Encouraging students to consider goods and services as wealth, nealth, or illth is a significant part of consumer education. Consumer educators should not shirk this responsibility, even though it is easier if they avoid this area.

It is suggested in the paper that consumers as citizens should actively support consumer goals in business, government, and community policy decisions, and in influencing change and exercising power to modify policies, institutions, and systems within society which affect consumer interests. This is a desirable proposal, but I would ask, how realistic is it? Does not this demand more than most consumer-citizens can accomplish, or even want to? Certainly a goal of consumer education has to be to stimulate at least a minority of consumer-citizens so that they will become involved, not on every consumer issue, but at least with an issue or two. If this is one of the accomplishments of consumer education, good will certainly flow from it, but the difficulty of motivating a majority of consumers to active roles will be difficult. But, it is still an essential goal and must be attempted regardless of the number ultimately motivated.

I cannot stress enough my support for the position presented in the paper that consumer educators should welcome the opportunity and responsibility to teach analytical skills through the study of controversial issues from a variety of perspectives. The status quo is not perfect and needs to be challenged time and time again in a balanced, intelligent way. Therefore, it is legitimate to include in the classification of concepts in consumer education citizen participation. This is true in spite of the fact that there is not a consumer consensus on every controversial issue.

Another challenge is presented in the paper in the enumeration of the economic concepts which were selected as being most directly related to consumer decisions. I agree with the fifteen concepts listed, but how does the educator cover what has already been decided in this paper should be included in consumer education and still include any degree of adequate coverage of these fifteen economic concepts? I am in favor of reaching for the stars, but realistically we have to settle for less.

"Voluntary simplicity may become a significant social movement in the United States." Even with the energy crisis and serious economic adjustments, I really wonder if this will become a very significant choice of consumers, unless we reach a point where there is "no" choice. I am not convinced that a growing desire for control over the quality of life is interpreted by very many people to mean that substitution of a wood-burning stove that heats one to 40° on one side and 90° on the other is preferred over central heating or that an outhouse is preferred over indoor plumbing. Yes, both would give us a greater degree of control over these activities in our lives and we would be less dependent on the outside, but is this realism?

I question whether we really will see the rise of the Toffler "prosumer" (1980), as discussed in this paper. Instead, what I think needs to be emphasized in consumer education is the producer/consumer, as the president of the Berlitz Schools of Languages states in "Consumerism's Other Half":

> Producerism, I believe, is capable of injecting the necessary element of positivism into the consumer movement.
>
> It is hard to say just when pride in accomplishment as a widespread concept came to an end—but it did. We must regenerate that sense of pleasure in accomplishment, motivate consumers to aim for high quality in their producer roles.
>
> If we are to have an effective consumer revolution, we must effect such a producer revolution. Almost every consuming unit in our population is also a producing unit, capable through greater care and efficiency, of influencing the quality and price of a product or service (Miller, p. 3).

I believe that in many respects Ms. Bannister's paper has presented the ideal situation in discussing the answer to the question, slightly rephrased, "What should consumer education be?." I congratulate her for this. I support such an ideal, but in some respects I believe that the response to the question posed in the title of the paper is really an all-inclusive response to the much broader question, "What is the purpose of education?." Consumer education plays a part, but it cannot do it all.

We need to be idealistic and we need to temper our idealism with realism. If the goals that we set are too far out of reach, how many will give up trying? On the other hand, if the goals are too easily attainable, then little progress will be made. Is there a reasonable balance between these extremes? I hope and believe that there is.

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Chapter 3 What Is Economic Education?

What is Economic Education? – *James D. Calderwood*

Response – *Francis W. Rushing*

What is Economic Education?

James D. Calderwood

INTRODUCTION

The authors of *A Framework for Teaching Economics: Basic Concepts* state that the objectives of economic education are "responsible citizenship and effective decision-making" (Hansen *et al.*, 1977, p. 2). These qualities require that persons have the ability to understand and make reasoned judgments about major economic questions facing society and themselves as members of that society. With these general and non-controversial observations as our starting-point, we may identify four major questions that need to be answered. The answers collectively should in turn give us the answer to the overall question: "What is economic education?".

If economic education is understood to mean educating people to have economic understanding, then we must first ask: What does having economic understanding mean? Second, who are the people we wish to educate? Third, why is it important to educate them to have economic understanding? Finally, what educational processes are necessary if this objective is to be advanced?

THE MEANING OF ECONOMIC UNDERSTANDING

The *Framework* states that "the essence of economic understanding lies in being able to make sense out of the unfolding array of economic issues coming to our attention." To be able to do this, it continues, per-

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sons must be able to (i) "practice the reasoned approach" to economic issues, (ii) have at their command a set of basic economic concepts which give them the ability to think about economic issues in a reasoned way, (iii) possess an overview of the American economy, and (iv) have some ability to use this knowledge in dealing with actual economic issues (Hansen *et al.*, p. 4).

To have economic understanding means, first, that one has a "way of thinking" about economic problems. Memorizing economic facts does not result in economic understanding. In our rapidly changing world facts can get out of date very quickly. One could, for example, in 1979 have memorized the traditional ways of measuring the money supply, M-1, M-2, etc., but then, early in 1980, these "facts" became obsolete when the new concepts of M-1-A and M-1-B were introduced. To have economic understanding means that one has the ability to think one's way through an economic problem in an objective, scientific way and reach logical conclusions that are consistent with one's personal values, with society's current values (both economic and noneconomic), and with the need to reconcile both short-run and long-run goals. It means that one possesses a kit of intellectual tools which one can use in a wide range of problem-solving and decision-making situations. As John Maynard Keynes wrote more than half a century ago: "The theory of economics does not furnish a body of settled conclusions immediately applicable to policy. It is a method rather than a doctrine, an apparatus of the mind, a technique of thinking, which helps its possessor to draw correct conclusions" (Henderson, 1963, preface).

Indeed, the real test of whether or not one has acquired economic understanding is in the future. How will one face up to an entirely new economic problem which no one has experienced before? Will one be bewildered by this new situation or will one have a feeling of familiarity—of having been there before—and understand what is going on? Will one be able to identify the nature of the problem and of the issues involved, evaluate the alternative ways of dealing with them, comprehend the consequences of each alternative approach, and come to an intelligent conclusion as to the best approach to follow given the goals one wishes to achieve (Robinson *et al.*, 1980).

An example would be the energy problem, which emerged suddenly in 1973 when OPEC quadrupled the price of oil. Even though this was an entirely new problem, persons properly trained in economics were not baffled by it. The familiar tools of modern economics—concepts like demand, supply, the market, price, competition, monopoly, oligopoly, and growth—equipped such persons to understand the elements of the energy problem, the alternatives facing us as we tried to deal with it, and what the likely consequences of following different approaches to the problem would be. Those untrained in economics were more likely to fall back on "devil theories," blaming the Arabs or the oil companies for all our troubles. Such persons were, of course, the grandchildren of those who blamed the Great Depression on Herbert Hoover!

If one is to be able to use this "reasoned approach," one must be

familiar with some basic economic ideas and concepts which collectively constitute the tools of economic analysis needed to think one's way through complex economic problems and reach logical conclusions. The *Framework* lists and explains twenty-four such basic economic concepts (Hansen *et al.*). Students who understand these and know how to use them will have developed a considerable degree of economic understanding even though they may not qualify as professional economists. At this point, we should interject that economic education does not aim to turn people into professional economists—only into more responsible citizens and more effective decision-makers. To those economists who are still skeptical of "popularization," we can only respond that a knowledge of elementary cardio-pulmonary resuscitation techniques is worthwhile even if it doesn't qualify one to perform open-heart surgery!

As an example, consider the concepts of "demand," "supply," "markets," "price," "monopoly," and "government intervention and regulation." People who understand the meaning of these concepts have at their disposal a set of intellectual tools for comprehending a wide range of practical economic situations, including minimum wage legislation, farm price supports, foreign exchange rates, public utility regulation, interest rates, rent control, and the world price of oil, to mention just a few. In each of these cases, there is a market in which something—labor, cotton, the U.S. dollar, electricity, money, apartment occupancy, or Saudi Arabian light crude—is being bought and sold at a price. In each case, the price is determined basically by the forces of demand and supply in the market. In some of them, the government is intervening to modify the influence of these market forces and fixing the price at a higher or lower level than would otherwise be the case. In some of them, too, instead of many competing sellers, we have one or a few who can influence the price by their actions. Economists call this monopoly power. Using the concepts identified above is the first step toward understanding the problems themselves.

This is only the first step, however. Persons should also have an overview of the economy in which they live and of their role in it. This means understanding, first, that because of scarcity every society must have a mechanism for deciding how its productive resources will be used and who will get what is produced. This mechanism is called the economic system of the country, and its purpose is to provide answers to the central economic issues which face every society: which goods and services shall be produced now and which forgone or postponed until later, when and how will productive resources be shifted from one use to another, and how will the total output of goods and services be divided up among the people of the country?

One of the purposes of economic education in the United States is to promote an understanding of the main features of the particular economic system used in the United States today—how it performs the functions just described, the various roles played by people both individually and collectively in the economy, such as being consumers, producers, workers, savers, and investors and working through government,

and the various economic institutions which have been established to help us make these decisions, such as business firms, banks, labor unions, private property, and government agencies.

Economic education also helps us evaluate how well or how poorly our economy is working in light of its objectives. Before we can do this, we have to identify the economic goals of American society. Economic decisions are not made in a vacuum but with an objective or goal in mind. The economic goals of American society today are usually defined as economic growth, stability (high levels of income and employment without inflation), efficiency in the use of productive resources, security, equity, and freedom (Calderwood and Fersh, 1974, pp. 19–32). Are we achieving the growth we want? Are we achieving price stability, full employment, economic security, and other desired goals? Such an evaluation permits a person to move on to a consideration of various economic policies designed to bring us closer to our goals and to come to intelligent conclusions as to which policies are most appropriate in a particular situation. For example, what kinds of monetary and fiscal policies should be pursued to fight inflation? Are more generous social security benefits desirable to increase the economic security of the elderly? Will decontrol of oil prices contribute to a solution of the energy problem?

Actually, we have to go beyond strictly economic objectives and also consider some other goals which, while not economic, have enormous economic implications. One of these is national defense, which requires that productive resources be diverted from the main purpose of economic activity, the satisfaction of consumer wants, and into nonproductive—or even destructive—uses. Another is environmental protection, which often requires that production costs be increased and economic growth slowed down in order that clean air or water or natural beauty may be preserved.

Once the student of economics reaches this point, the concepts of "choice," "opportunity cost," and "trade-off" become of paramount importance. Economic goals are easy to identify but often very hard to reconcile with one another. In many cases, moving closer to one goal involves moving further away from another. Expanding energy supplies, for example, may involve giving up something in the area of environmental protection. Protecting teenage workers by means of a minimum wage law may lead to an increase in teenage unemployment. Tightening up on the money supply to fight inflation may push the country into a recession. In every case, therefore, persons need to identify both the costs and the benefits of following different policies for themselves, for society as a whole, and for particular groups within society, such as business, labor, the elderly, or minorities. A decision can then be made with a full understanding of what one is giving up as well as of what one is gaining. The actual trade-off point, of course, ought to reflect both a careful balancing of various objectives and the recognition that one cannot have 100% of everything one wants.

A case in point would be the common requirement that an environmental impact study be made before an economic project can be

undertaken. Such studies only take us halfway. The other half should be a requirement that an economic impact study be made before a new environmental restriction is imposed. We need to know not merely what will be the effect of a new industrial plant on the purity of the air and the health of nearby residents but also the impact on jobs, income, production, and growth of *not* building the plant. Only then can citizens balance costs and benefits and come to an agreement on the course to be followed. It might be interjected here that one of the benefits of economic education is that it can develop a more rational way of thinking in general and thus combat the current trend toward "single issue politics" which, in my judgment, threatens the fragmentation of our society.

Summing all this up, we may conclude that economic education seeks to give people the ability to make rational, intelligent economic decisions based on an understanding of the issues and of the consequences of the alternatives facing them. To be able to do this, they need to (i) follow the principles of logical thinking, (ii) understand the basic ideas and concepts of modern economics, (iii) have an overview of the American economic system, its structure, institutions, goals, and problems, and (iv) be able to use this knowledge in a variety of problem-solving and decision-making situations.

WHOM DO WE WISH TO EDUCATE?

To what constituency is economic education directed? The ideal situation, of course, would be for all citizens to become more economically literate. We would like journalists and television commentators to have a better understanding of economics. The clergy could benefit from an exposure to economics. So could the employees of large businesses. So could business executives, labor leaders, members of Congress, state legislators, and many others. In fact, there are numerous organizations which are promoting the economic education of many of these groups. Many university business schools conduct programs for business executives in which economics plays a substantial role. There is a Clergy Economic Education Foundation. There are numerous employee education programs. Many of these programs are very worthwhile. Some are not.

But today the most important aspect of economic education is economic education in the schools. The main thrust of the economic education movement as it has developed over the last thirty years is toward students in our elementary and secondary schools and their teachers.

The direction of this thrust is logical. In the first place, not everyone goes to college and not everyone can be reached by various adult education programs in the factory or elsewhere. But everyone goes to school, and thus all future citizens can be reached there if we can develop sound-

ly conceived economic education programs. Second, children tend in general to be more open-minded than many of their elders. They have a natural intellectual curiosity, and one does not have to get rid of years of accumulated prejudices and erroneous habits of thinking before starting them along the road to economic understanding. Third, the educational structure of the nation—schools, universities, colleges, state departments of education, etc.—can usually be relied on to promote objective economic education. This is not always so when labor unions, business firms, and other institutions conduct educational programs. Fourth, educational resources—like all resources—are limited and can be used more productively by concentrating them on the schools rather than diffusing them over a wider spectrum of learners. That specialization of human effort leads to a more efficient use of resources and greater output has been known for more than 200 years.

Economic education is necessary for teachers since obviously they cannot impart to their students what they do not understand themselves. Unfortunately, most teachers either have not studied economics at all or, if they have, have not been taught the subject in a way that was helpful to them. Two approaches to this problem have been developed over the years. First, much effort has been expended on in-service programs for teachers in the form of summer workshops and institutes of various kinds. This has been the main thrust of the economic education movement. Such programs are necessary and worthwhile. Second, a significant beginning has been made by a number of teacher-training institutions to include sound economic education in their curricula. However, more emphasis needs to be placed on the pre-service education of teachers in economics. In-service programs are important for the current generation of teachers and will always be important from the viewpoint of bringing teachers up-to-date on the last developments; however, from a long-run viewpoint, it is a more efficient use of limited educational resources to ensure that teachers have some knowledge of economics when they enter the profession than to have to pull them back into the classroom later to teach them the basics they should already know.

In summary, then, while sound education in any form and anywhere is a "good thing," practical considerations suggest that the main thrust of economic education should be directed toward schoolchildren and their teachers and should take place in the schools and in the teacher-training institutions of the nation.

WHY IS ECONOMIC EDUCATION IMPORTANT?

Economic education is important—critically important—because the successful functioning of both our economic system and our political democracy depends on it.

The United States is committed to an economic system based primarily, though not entirely, on the idea of individual decision-making in the market place. This is still true in spite of the fact that, in our modern mixed economy, the functioning of the free market mechanism has been substantially modified in many sectors by government intervention and by the actions of those who have economic power, such as big unions and big business. The United States is also committed to a political system based on the idea of individual decision-making in the voting booth. This is our heritage from Adam Smith and Thomas Jefferson, who, by one of the great coincidences of history, wrote their basic statements on the subject in the same year just over two centuries ago.

Thus the quality of decision-making is critical. If Americans can make intelligent decisions in the marketplace and in the voting booth—decisions stemming from reason and understanding—then we have a fair chance of resolving the enormous economic problems which face our society, ranging from developing new forms of energy to reducing inflation, from boosting productivity to ending poverty, and from meeting Japanese competition to financing health care for all. If on the other hand the decisions we make stem from ignorance, prejudice, and emotion, then not only will we not find answers to our problems, but they will get worse. The case for economic education is the case for democracy itself.

WHAT EDUCATIONAL PROCESSES ARE NECESSARY?

Finally, if we are to understand what economic education is, we must ask what educational processes are needed if the students and teachers in our schools are to acquire greater economic understanding.

Advances need to be made on four fronts, teacher-training, curriculum revision, publications and teaching aids, and research and evaluation.

Teacher-training requires both in-service and pre-service programs. Thousands of teachers today need to be reached through workshops, institutes, and other programs which will help them understand the subject matter of economics and how to go about introducing it into the classroom. In the long-run, however, it is a more efficient use of scarce educational resources to give future teachers a proper training while they are still students in schools of education.

Effective pre-service education in economics should not take the form of just urging or requiring education students to take the conventional principles of economics course offered by the economics department. Too often these assume that the students are destined to be economics majors. Too often they are taught in an unimaginative way by teaching assistants or young instructors who are trying to transmit the

mathematical formulae they themselves are learning or have just learned in their graduate courses for the Ph.D. What is needed are courses geared to the needs of educational students, planned jointly by educators and economists, or, better still, by the ever-increasing number of persons trained in the relatively new discipline of economic education. For example, four-unit courses comprising three units of economic content and one of methods might be appropriate.[1] Programs like those at Ohio University and Purdue University could be models for the future. The preparation of teachers who can handle economics effectively in the elementary and secondary classroom should be the joint responsibility of economists and educators.

Assuming that we have trained teachers, the next task is to determine how the subject matter can best be introduced into the classroom. Here we have long since abandoned the idea that a twelfth grade course in economics will do the job. Today the idea is increasingly accepted that economic ideas and concepts can and should be introduced into the curriculum in an organized and integrated way at all grade levels from kindergarten through twelfth grade.

The integrated curriculum calls for the introduction of economics at each grade level in an orderly, sequential way, at increasing levels of sophistication. The twelfth grade economics course then becomes merely a capstone experience which pulls everything together for the last time. Before that, economics will have been introduced in a variety ways into elementary social studies, into U.S. and world history, into geography and U.S. government, into consumer economics and personal finance, into business and career education, and into home economics. It can also be introduced into such fields as English literature and mathematics. I would submit that students are likely to learn more about the economic conditions which gave rise to Marxism in the 19th century by reading the novels of Charles Dickens than by reading the turgid writings of Marx himself. And I once encountered a mathematics teacher who used the Consumer Price Index as a device both to explain such mathematical concepts as weighting and averaging and to convey an understanding of inflation. The opportunities for enriching existing courses with economic themes and overtones are endless. One of the major tasks of economic education is to help teachers devise ways of doing this. This is not as difficult as some may think. Keynes once wrote: "The study of economics does not seem to require any specialized gifts of an unusually high order. Is it not . . . a very easy subject compared with the higher branches of philosophy and pure science?" (1963).

Another important challenge to economic educators is to develop appropriate material and teaching aids both for the teachers themselves and for the students. Most college textbooks are not appropriate, of course, but even the good texts prepared specifically for economic education programs are not enough by themselves. There is a growing supply of richly rewarding games and simulations, films, film strips, cassette tapes, and other teaching aids which are both interesting to children and educationally sound. Examples of these are the fifteen "Trade-Offs"

films for 9–13 year olds; the Master Curriculum Guide pamphlets entitled "Strategies for Teaching Economics;" Davison and Kilgore's "The Child's World of Choices;" Wyatt and Harter's "Land Use Planning Game;" and Stephen Jackstadt's marvelous comic book "Superheroes of Macroeconomics." The annual publications of the Joint Council on Economic Education describing "Economic Education Experiences of Enterprising Teachers" are full of fascinating examples of the innovative activities of the classroom teachers who have won International Paper Company Foundation awards.[2]

Of key importance is the network of over 200 centers for economic education affiliated with the Joint Council on Economic Education and located at colleges and universities around the country. Many imaginative and innovative teaching aids are being produced at these centers, which are also sponsoring in-service programs for teachers and working for the improvement of pre-service education in economics.

The centers for economic education play a key role also in the fourth area in which advances are being made: research and evaluation. We have learned much over the past thirty years, but there is still much more we need to know. As in any field of learning, the frontiers of knowledge must be pushed forward through research. How can economic ideas and concepts most effectively be introduced into a personal finance course or a home economics course or a world history course? What teaching techniques are likely to be most effective? What sorts of games and simulations can be developed? How can we evaluate what students have learned as a result of different educatonal approaches? What sort of tests should be constructed? These are only a few of the tasks confronting us.

SUMMARY AND CONCLUSIONS

This paper has sought to answer the question, "What is economic education?," by defining the meaning of economic understanding, by explaining why it is important that people have economic understanding, by identifying the constituency toward which our main efforts should be directed, and by describing some of the educational processes that must be undertaken if we are to advance our goal of economic literacy in the United States.

It might seem strange that, when the economic education movement is now over thirty years old, it should still be necessary to explain what economic education is. The fact of the matter is, however—and this is perhaps sometimes overlooked by the growing band of enthusiasts who are doing such good work in so many ways and in so many places—that we have only just begun to make a dent in the problem of economic illiteracy. Much has been achieved, but much remains to be done. Many economists and educators are not convinced that children can acquire a sound "way of thinking" about economics. Many teachers are still scared

of the subject. We do need to keep on reiterating that economics is everybody's business and not an esoteric subject to be studied only by the initiated. As Keynes once wrote: "If economists could manage to get themselves thought of as humble, competent people, on a level with dentists, that would be splendid!" (1963).

The worst thing we could do would be to rest on achievements and think that we already have most of the answers. We do not. Thus, trying to answer the simple question, "What is economic education?," is a healthy exercise which forces us to test the validity of our beliefs and once again clarify the direction in which we want to move in the years ahead.

In conclusion, may I look briefly into the future? I think that one of the greatest challenges facing economic educators in the years ahead is going to be how to reconcile the traditional structure of economics with the new priorities and new values that are emerging in American society. The traditional goal of a better life in a material sense is still with us and will continue to be with us. But our people are increasingly concerning themselves with the kinds of things which cannot be measured by such economic statistics as the Gross National Product and Personal Income. They are thinking about the quality of life, a term which covers everything from environmental protection, equal employment opportunities, and safety on the job to consumer rights, the enjoyment of privacy, and the prevention of age discrimination in housing. They are thinking about the less fortunate in our midst, including the sick, the poor, and the aged. They are thinking about what kind of values are likely to develop in a nation that is very affluent, because those values are surely going to be quite different from the ones which we held when we were struggling to become affluent.

It might therefore be desirable to go back to the recommendation made by a Department of Health, Education, and Welfare report that we establish a Council of Social Advisors and that each year a Social Report of the President be presented to the Congress and to the nation (1968). I am not saying that economic educators should modify their disciplined approach to the subject. I am saying that the children in our schools must be presented with a clear picture of our changing world, of which the world of economics is but a part.

Finally, economic educators are going to have to place increasing emphasis on the problems of the world economy of which the U.S. is a part. Economic sovereignty—the ability of a nation to control its own destiny and resolve its own problems—is being eroded. The U.S. today cannot solve such problems as energy and inflation by itself, without reference to the world economy. Solutions to those problems can only be found in a world context. Therefore, economic educators have the task today of preparing young people to be not just citizens of the U.S., but also citizens of the world.

In the early years of this century, the great British historian, novelist, and political philosopher, H. G. Wells, said that mankind was

engaged in a race between education and catastrophe. That race is still going on. Let us do what we can to see that education wins it.

FOOTNOTES

1. For a good example of this, see California State Depart nent of Education (1966).
2. These curriculum materials are available for purchase from the Joint Council on Economic Education, 1212 Avenue of the Americas, New York, New York, 10036.

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A Response to "What Is Economic Education?"

Francis W. Rushing

INTRODUCTION

James Calderwood has provided a concise answer to the question "What is Economic Education?." He defines economic education as educating people to have economic understanding. He has an effective approach to expanding that definition by asking and answering the question, "What does having economic education mean?;" "Who are the people we wish to educate?;" "Why is it important to educate them to have economic understanding?;" and "What educational processes are necessary if this objective is to be advanced?."

This reader finds it difficult to take issue with the basic definiton and discussion that Calderwood presents. He has effectively capsulated a concensus of what economic education is, at least from the perspective of most economic educators associated with the Joint Council on Economic Education, its affiliates, and their programs. As a member of that network, my first reaction to Calderwood's paper was "AMEN." Further reflection leads me, not so much to criticize Calderwood as to focus on questions raised by him but not answered, and perhaps to linger a bit longer in discussing the future directions of economic education. In the first instance, I refer to the question of objectivity and values; in the second, to designing new approaches which might accelerate the process of economic education.

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OBJECTIVE AND VALUES

One basic tenet, indeed a prerequisite, of affiliation with the Joint Council on Economic Education is that economic education programs be objective. "Objective" is understood to mean "not biased;" that is, the economic educator is to provide a fair presentation of all aspects of any issue. Objectivity as a general characteristic in economic education programming is well founded in the writings of economic educators. For instance, the National Task Force on Economic Education stated in 1961 that "the most important step toward understanding in economics—as in other branches of knowledge—is the replacement of emotional, unreasoned judgments by objective, rational analysis. This is the first lesson to be learned in approaching the study of economics" (1961, p. 14). M. L. Frankel reaffirmed the same guidelines when he wrote, "The study of economic problems should be conducted within the framework of:

1. Maximum objectivity.
2. Complete freedom of inquiry and discussion" (1965, p. 11).

One might interpret this criterion of objectivity to imply at least the absence of values or valuing in the program. But there can be no absence of values or valuing, only the absence of an overt presence of a system of values in which economic education is taking place. Calderwood points out that "to have economic understanding means that one has the ability to think one's way through an economic problem in an objective, scientific way, and reach logical conclusions that are consistent with one's *personal values*, with *society's current values*, (both economic and non-economic), and with the need to reconcile both short-run and long-run goals." (Underlining is that of the reactor.) Where did these values come from? How did the individual learn what society's current values are? . . . family, friends, teachers, economic educators? The evaluation of an outcome by definition requires a "set of values." Economic theory and analysis can lead us to a range of possible outcomes (all of which may be efficiently produced) but, in fact, the best outcome can be determined only after value weights have been introduced. We can teach concepts and tools of analysis, but does teaching a framework of values violate our commitment to objectivity? Is a set of values implicit in the programs themselves?

Let us take, for example, an economic educator who might project objectivity by unemotionally presenting the pros and cons of alternative economic systems, but does so with the confidence that the students (who may be elementary or high school teachers) will, by their own reasoning process, conclude that the American economic system is the best among the alternatives, and thus become committed to its continuation. Other "economic educators"—not affiliated with the Joint Council on Economic Education (and its state councils)—might pursue the same outcome by teaching the virtues of the American system while focusing

on the blemishes of alternative systems. The projected outcome in both approaches is the same even though one demonstrates objectivity and the second one doesn't. One might predict that if "objective" programs result in very many cases with the students advocating the overthrow of the existing system, a modification in program design and methods by the economic educator would take place.

To ask "What is economic education?" is to raise the value question, and, in my estimation, the question begs for further consideration by economic educators. As Calderwood observes, future values in the United States will differ from past values. What is the process by which values change; and in what ways do economic educators facilitate, channel, or affect these changing values? We ought to search for answers to these questions.

ECONOMIC EDUCATION—THE EMERGENCE OF NEW METHODS OF TEACHING

Calderwood's definition of economic education focuses on economic understanding being manifested in the ability of a person to develop economic decision-making skills. The process of developing this understanding is perceived to be through the traditional method of teacher-directed education utilizing a wide range of classroom-focused activities—good textbooks, games, simulations, etc. Current evidence indicates that these methods are effective in producing an improvement in economic understanding as measured by standardized tests. What I would propose is the expansion of economic education to what might be described as community-based economic education, an old idea with a new twist. Community-based economic education is to be a supplement to the classrooom-based economic education. The focus of the community-based component is to provide for the student a series of experiences which will reinforce the classroom instruction or (in a limited way) serve as a substitute for classroom instruction of particular concepts. If economic education is to develop decision-making skills, then the best approach to teaching these skills is to expose the student to actual situations where these skills are utilized on a daily basis. The concept of community-based education relies upon the ability of the economic educator to mobilize community resources and to channel them into an educational structure designed to generate particular learner outcomes.

"Community" in this approach refers to economic entities which make economic decisions. These entities could be businesses and their managers and employees; unions and their leaders and membership; or governments and their civil servants; or the households and their members. Historically, teachers have taught about the American economic system and its decision-making units—households, business, and governments—as if they were abstractions rather than vital units in dynamic economic processes.

What we find in most communities are teachers doing a good job in economic education, while important segments of the community—business generally, but sometimes labor unions as well—are highly critical of their efforts because they think teachers neither know nor understand the system. In fact, it is believed by some that teachers even prejudice the students against the American system or the interests of business, labor, or government within the system. This perception has led segments of the community, particularly business, to attempt various programs of economic education. In some cases, they utilize the teachers as a vehicle, in others they bypass the teacher by initiating programs that go directly to the student. One example is Junior Achievement's Project Business. There is a tremendous interest in economic education, but the problem is how to channel that interest into effective programs.

Community-based economic education has to begin with the opening up of a dialogue between the educators and the various segments of the community. Our role as economic educators is to facilitate such a dialogue. We should present evidence that local educators are doing a good job teaching economics. We should present the idea that an important element of economic education is the building of a bridge from economic concepts to economic decision-making in the "real world"—a bridge that spans the distance between the classroom and the community.

I have watched this process unfold in nine communities in the state of Georgia. In each, the leaders of these communities were amazed at the economic education in progress, how effective the teachers were in conducting it, and that these teachers were, like them, skilled professionals. Another outcome of the dialogue was an increased awareness that educators shared many of the same objectives in terms of economic education as the community leaders. With communications open, the leaders offered themselves as resource persons, their businesses or organizations as sites to visit, and their time to take inventory of economic education resources in the community. There was generally an enthusiasm to help finance the purchase of economic education materials which the teachers felt would be most effective in teaching economics. The Georgia Council offered training courses for community leaders in roles they elected to play, such as resource speakers, hosting field trips, etc. The outcomes of this program were not only renewed support for the concept of economic education, but the actual involvement of community leaders in the process.

What is different about this approach? Not much, and yet a lot. Community leaders speaking in the classroom and field trips are all part of the traditional approach to economic education. What is new is the level of involvement and the channeling by educators of community resources into a framework of economic educaton which enhances the probability of achieving learner outcomes. The student in such programs has direct hands-on experiences as they make the transition from abstractions to realities.

Community-based economic education can be expanded to a whole range of programming. A program which has proven successful is bringing students into contact with senior citizens. Most students do not have frequent or extended contact with elderly people. Our senior citizens are a store of knowledge—including economic knowledge. A well designed series of questions can result in oral history dealing with a variety of economic topics. Many of the elderly actually experienced the transformation of the United States from an agrarian to an industrialized society. All have strong recollections of the Depression. And most are willing to share these experiences in a direct way with today's economics students.

The case-study method of teaching and learning economics is being adopted in many communities. One way of tying this method with the community-based economic education approach is to let the students themselves develop the cases. The cases should be those drawn from the local community and require the student to do the research, conduct the interviews, compile the information, and write up the case. The student-prepared cases could be disseminated to other classes as models for students in developing their cases or used as teaching materials.

Another way of broadening economic education is to utilize students as teachers. Students frequently boast that economics is one subject about which they know more than their parents. Why not design economic education materials which transcend the classroom and the normal homework assignment into broader learning experiences which include the entire family? An energy program in Georgia is based on that concept. The student is trained as an energy auditor and through his/her continuous auditing of the household the other family members learn energy conservation. Consumer economics concepts could be effectively taught in this manner.

There seem to be almost unlimited opportunities to design learning situations which go beyond the classroom into the home and the community-at-large. As economic educators, it is our responsibility to take advantage of each of these opportunities in order to accelerate and broaden economic understanding.

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Chapter 4 Examination of the Integration of Consumer and Economic Content

Introducing "Consumer and Economic Education (K-12); A Comparative Analysis" – *L. Gayle Royer*

Response – *John S. Morton*

Response – *Gwen Bymers*

Response – *Marian Kienzle and George L. Wyatt*

Introducing "Consumer and Economic Education (K-12): A Comparative Analysis"

L. Gayle Royer

Efforts to delineate the parameters of economic education and consumer education yielded a model which indicates the concepts appropriate to each of those subjects individually. The model also identifies concepts which are common to both subjects and therefore represent the interface. The total model represents the meshing of the three components into a K-12 program of study. The three most significant categories are "Resources," "Markets," and "Contemporary Social Issues." "Resources" mark the beginning point of understanding. "Markets" serves as the central category which brings consumer education and economic education together after some digression. An understanding of "Contemporary Social Issues" is the ultimate goal of both consumer education and economic education.

The panel's view of consumer education differs markedly from that of writers of textbooks, workbooks, reference books, and other resources. The model identifies a large number of concepts which are interfaced with economic education, but this interface is not recognized in the resources. The resources present consumer education very clearly as a practical individual application of the theory of economics with an emphasis on the marketplace. The model, in contrast, perceives a strong common theoretical base to both subjects at the K-12 level, to which consumer education adds individual consumer applications and economic education adds producer and worker applications.

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IMPACT ON PROGRAM DEVELOPMENT

Classroom teachers rely on several inputs for guidance in developing an educational program. Probably the most frequently used inputs are curriculum guides and published texts. Consumer education and economic education are taught by persons who have received relatively little training in the subject matter which they are attempting to present to students. Under such conditions, dependence on guides and texts is likely to increase, with dominant influence exerted by the texts. It is extemely difficult for teachers to present concepts which are unfamiliar or, at most, vaguely known to them, and which are absent from the texts which students will be using. If teachers continue to rely on these sources for guidance in K-12 program planning, and if guides and texts continue to view consumer education in the narrow context of "how-to," students will never receive the training envisioned by the panel.

At the secondary and college levels, guides and materials for economic education are much more closely allied to the model's view of that subject. Teachers of economic education at the K-12 levels, if they had taken a college level introductory economics course, would have received some training in the broad range of concepts appropriate to economic education. Further, they would have relatively little difficulty in locating materials for student use which comply with the model.

VARIATION AMONG LEVELS

The variation between consumer and economic education occurs only in the materials at the secondary and college levels. At the elementary level, most materials are not designated as belonging to economic education or consumer education. The materials at this level cover those concepts which are "economic" by nature but which are interface concepts in the model. Perhaps because it is customary for those concepts to be covered almost exclusively in economics education at the secondary and college levels, the teaching of the concepts at the elementary level is considered to be the teaching of "economics." This is not the case, as the model points out. What is taught at the elementary level is not "economics;" rather it is the interface of economic education and consumer education, and is not appropriately labeled as either subject exclusively. Recognition of the fact does not change elementary teaching, but may be a step toward altering the nature of secondary and college level consumer education to stress the concepts necessary to both subjects.

There is little difference between secondary and college level materials in respect to the concepts covered. Training received in college consumer education courses is likely to be as confined as that at the secondary level. Economic education is somewhat broader at both the sec-

ondary and college levels, but both exclude coverage of "issues." Such practices perpetuate current patterns of teaching, a point frequently made about other subject areas. There are, of course, other purposes to be achieved in a college program. This study is concerned only with preparation of teachers for the K-12 levels, and all comments are directed to that single purpose. Comments should not be interpreted as criticism of the ability of a college program to achieve its other purposes.

SUPPLEMENTARY PRINTED ITEMS

Secondary teachers of consumer education, desirous of updating factual materials and making their subject more interesting to students, can obtain printed items from local, state, or federal government. These printed items will not increase the number of concepts covered or provide the support needed for consumer education teachers to venture into the realm of theory—which, according to the model, is an integral part of their subject.

TREATMENT OF ISSUES

"Contemporary Social Issues," a category essential to the model, was excluded from materials designed for consumer education and from those for economic education. Many of the issues were voted most necessary for one or both of the subjects. Without texts to cover these concepts, without supplementary pamphlets, booklets, or other resources to fill the gap, and without curriculum guides to stimulate an analysis of contemporary issues, it is unlikely that teachers will include this category of concepts in their courses.

The working definition of economic education used in this study specified that students should obtain a "set of analytical tools which can be applied to current economic issues at both a personal and a societal level." Based on coverage of "Contemporary Social Issues" in the resources examined, students will receive information on only a few societal issues and will gain experience in applying even fewer. It is doubtful that economic education will be able to meet its objective with the resources which are currently available.

The working definition of consumer education specifies an understanding of "social, economic, and ecological considerations." Based on coverage of "Contemporary Social Issues" and "Consumer Interests" in the resources examined, there is little possibility that students will achieve the prescribed understandings. Ecological and citizenship aspects of "Consumer Interests" are seldom covered, and other social issues appear only infrequently. Applications are given for some concepts, but the number is inadequate to comply with the definition.

IMPACT ON ADULT FUNCTIONAL COMPETENCE

The interface concepts, which appear frequently at the elementary levels, should provide a sound theoretical base upon which secondary education can build. In addition, however, elementary education should meet the needs of those students who do not continue into high school. The adult functional competency study found that the adults who function with greatest difficulty tended to be those with eight years of schooling or less (Kelso). The examination of resources for the elementary level, conducted during the present study, suggests that students are not being exposed to those concepts which would increase competencies. Only at the secondary level are these materials designed to improve competencies in what the previous study termed consumer economics. The competencies which were grouped under this title are among those concepts included in the model as consumer education. In order to improve levels of competence of adult Americans, it is necessary that they be trained in consumer education. This study indicates that it is unlikely that students are receiving this training prior to the secondary level.

MOST-NECESSSARY CONCEPTS

A relatively low level of agreement was evidenced on the most necessary concepts for consumer education, compared to those for economic education. For instance, five of the seven panel members felt that "factors of production" was the most necessary concept for economic education, and another member voted for it as one of the fifteen most necessary concepts. In comparison, "planning," the concept receiving the most votes for consumer education, received large numbers of votes from five panel members, but the remaining two panel members did not give it any votes. Similarly, "consumer resources," the second most necessary concept in consumer education, received larger number of votes from four panel members, but no votes from the remaining three members.

An explanation for this difference in selection of most necessary concepts may be revealed by an analysis of the methodology used in the study and of the nature of the subjects and the composition of the panel. Economics as a field of study is well defined at the college level. Texts and curriculum guides are consistent and agree closely with the subject as defined by the model. Panel members may be adapting their previously held view to the K-12 level, but retaining a clear vision of the subject itself. Consumer education, in comparison, is lacking in definition at all levels. The low levels of agreement evidenced during the first review are indicative of the diverse perspectives of panel members. Through the three reviews, with feedback of minority opinions, the panel was able to modify its original responses and achieve a relatively high level of agree-

ment on content in line with the variety of perspectives involved. When asked to select the concepts most necessary to consumer education, each panel member made his/her selection in accord with his/her own perspective. Had they been afforded the opportunity to interact on this issue, greater agreement would probably have resulted.

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A Response to "Examination of the Integration of Consumer and Economic Content"

John S. Morton

The research report *Consumer and Economic Education (K-12): A Comparative Analysis* calls for the delineation of key concepts in economics and consumer education. There is a great need for educators to know what concepts are important in the two disciplines, and particularly important are the concepts that are common to both. In fact, the need for consumer and economic educators to cooperate with each other to develop a broad curriculum is even more crucial than is indicated in the report because the number of required courses in these subjects has been expanding rapidly (Wilhelms, 1979, p. 6). This critique will provide suggestions for increased cooperation among economic and consumer educators.

Unfortunately, the "Model of Consumer and Economic Education Learning Sequence" espoused by the report is of little practical use to classroom teachers, curriculum developers, or textbook writers. Its esthetically pleasing flow diagrams provide little assistance to front line practitioners. In addition, it fails to identify several important economic and consumer education concepts while it gives undue emphasis to others. The authors concede this by stating that "review and reaction from a large and diverse population of professionals will still be necessary before the model can stand with authority as a guide to future directions in education" (Trujillo, 1977, p. 20). To refine the model, independent curriculum experts need not prioritize and list concepts. Rather, the excellent research already done in this area should be subjected to criticism through a process of intellectual challenge and

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debate. The final product must be easy for teachers and curriculum developers to use. This critique will provide some criticisms and suggestions to stimulate discussion in this upcoming debate.

THE NEED FOR DIRECTION IN ECONOMIC EDUCATION AND CONSUMER EDUCATION

The need for a clear delineation of consumer and economic concepts has been growing since the *Comparative Analysis* was written. More and more states are requiring some type of economic or consumer education. In 1978, 38 states and territories reported a specific policy in consumer education. This was double the number of states reporting such a policy just five years earlier. Of the 38 policies reported, 32 were mandatory and six permissive. Seven states required a separate course in consumer education, economics, or the free enterprise system as graduation requirements (Wilhelms, 1979). Appendix One, "A Survey of State Policies on Consumer Education," provides a summary of these laws. It is possible that many require both consumer and economic education. For example, the Illinois consumer education law states:

> Pupils in the public schools in grades 8 through 12 shall be taught and be required to study courses which include instruction in consumer education, including but not necessarily limited to installment purchasing, budgeting, comparison of prices, and an understanding of the roles of consumers interacting with agriculture, business, labor unions, and government in formulating and achieving the goals of the mixed free enterprise system (School Code of Illinois).

However, the movement to mandate more economic and consumer education will do little to improve economic literacy and consumer competencies unless there is some consensus on what concepts are important to teach and learn.

ECONOMIC AND CONSUMER EDUCATION GO TOGETHER

The *Comparative Analysis* recognized the need to define the parameters of consumer and economic education and stressed the need for each discipline to emphasize certain interface concepts. One obstacle to broadening the concepts taught in consumer and economic education is that practitioners in both fields view their disciplines narrowly.

Economists emphasize definitions, concepts, principles, and

generalizations and frequently apply them to national and international issues. Many economists view consumer education with obvious disgust. This disdain for the practical is not shared by the many students who have trouble with the big-picture approach. Students often view topics like monetary policy, fiscal policy, and price theory as remote and irrelevant to their lives.

Economists should use the economic principle of self-interest in order to attain their goal of increased economic literacy. When economic concepts are applied to consumer decision-making, students can more readily understand their usefulness. After getting the students' attention, economics instructors can broaden the curriculum to cover a wider range of topics.

W. Lee Hansen is one economist who admits the failure to relate economics to individual decision-making has been a major obstacle to greater economic literacy. Hansen believes this is one reason why student demand for economics has been low. He continues:

> The usual conception is that economics provides few direct benefits to students. Most of the benefits from understanding economics and the implementation of more effective economic policies by government, for example, accrue only indirectly to them as a consequence of their greater economic understanding. The study of economic activity that might provide students more-direct benefits, because of its practical value for their own personal decision-making, is generally not viewed as economics by most economists. Perhaps I draw too fine a distinction between economic education for improved citizenship and for improved individual economic decision-making. Yet, examination of the textbooks at both the high school and college level shows they take what might be called the "citizenship" approach, that of preparing people to understand the larger economic issues. Almost no attention is given to individual decision-making. In its extreme form this is exemplified by *Sylvia Porter's Money Book*, which is designed solely to help individuals make more informed decisions about how to allocate their resources and adapt to changing economic circumstances. Voluntary purchases have kept this book on the best seller list for more than 6 months. It seems clear that the value of the book to individuals has been judged by the market to far exceed that of typical textbooks (Hansen, 1976, pp. 6–7).

Consumer educators make the mistake directly opposite to that of economists. The report points out the limited focus of consumer educators when it states that high school consumer education materials "were noticeably lacking in coverage of interface concepts" (Trujillo, p. 13).

Consumer education must broaden its outlook unless it wants to be known as the prototype discipline of the "me generation." Consumer

educators need to be more aware of the interdependence of the economy and society. Consumers are also producers. Consumers who complain about low-quality goods and services may be the producers responsible for making or providing them. As the comic-strip character Pogo said, "We have met the enemy and he is us." Consumers must understand the functions of markets and the effects of government controls on consumers and producers. Comparison shopping will do little good if there are few goods to choose from and buy. Consumer purchases of goods and services become more difficult when prices are skyrocketing or when unemployment is high. Consumer education courses that do not consider these broader interests deserve an early death.

Fred Wilhelms suggests a plan for correcting these deficiencies. He believes consumer education should have both a foundation and a superstructure. According to Wilhelms, the foundation consists of buymanship and money management. Buymanship includes evaluating and comparing goods and services while money management considers such topics as money mechanics, insurance, credit, savings, and investments. Wilhelms suggests that budgeting is the link between the first two elements.

Once a solid foundation is set, consumer educators should build on it. Wilhelms feels that this superstructure "may in the long run be more important in the lives of our students than the 'meat and potatoes' knowledge and skills are." The superstructure includes values and choice making, economic education, and citizenship education (Wilhelms, 1974, p. 15).

The future of both economic and consumer education depends on approaches such as those of Hansen and Wilhelms rather than on the narrowmindedness of educators fighting for turf.

IDENTIFYING WHAT'S IMPORTANT IN ECONOMIC AND CONSUMER EDUCATION

Once it is established that economic and consumer education are related, the problem remains to determine what concepts each discipline should stress. Teachers, curriculum developers, and textbook authors will find little guidance from the *Comparative Analysis* report's attempt to identify these key concepts. Its model is hard to follow, and the concepts stand by themselves rather than showing interrelationships through an organized scheme.

ECONOMIC CONCEPTS

The economic concepts listed in the model are particularly confusing. They represent nothing more than key words. For example,

resources are an important concept in economics. Indeed, a considerable segment of the model concerns resources, but what is it about resources that is important? Why do we care about the factors of production? What are "consumer resources"? In what ways do resources determine behavior, and why is resource immobility a problem? Certainly, key words must be used in the model schematic, but these words should be explained elsewhere in the report.

The section on markets is equally confusing. What are markets a setting for? Why should people know about market structure and prices as resource allocators? Who is controlling specific markets, and for what purposes? The report neglects to mention that prices affect the way consumers spend their income, that wages and salaries allocate labor among different uses, and that interest rates affect savings and investments. In addition, prices act as rationing devices determining who will get what goods and services.

One concept under "Markets" is "U.S. economy-mixed." This seems misplaced. Unless the authors are referring to market structure, it should be under a separate category of comparative economic systems.

The report also fails to mention several concepts crucial to economics. The most important of these is scarcity. Because resources are scarce and human wants unlimited, people must continuously make choices about how to use their resources. It is scarcity that leads to the slogan "There is no such thing as a free lunch." Because of scarcity, everything has a cost. Opportunity costs are what must be given up to gain something else. When people choose one good or service over another, they are making a trade-off. To make these trade-offs effectively, people must compare the costs and benefits of each alternative.

The omission of scarcity is particularly grievous because it applies to both individual and societal decision-making. Budgeting is necessary because consumers face the scarcity dilemma, and comparison shopping is a type of cost-benefit analysis. Societies must weigh the need for more energy against a desire for a cleaner environment.

"Economic incentives" is another economic concept ignored by the model. The most important motivating force behind economic behavior is self-interest. In a market economy profits are important incentives for producers to provide the goods and services consumers demand. In the words of Adam Smith:

> It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity, but to their self-love, and never talk to them of our necessities but of their advantages (*The Wealth of Nations*, Modern Library, p. 14).

"Voluntary exchange" is another economic concept important to consumers. When two people decide to trade something, they are both better off in their own minds or they would not have made the trade.

Consumers in a competitive market economy should view trade as an opportunity for mutual gain rather than as a coercive act.

"Interdependence" is related to voluntary exchange. Under voluntary exchange individuals specialize and therefore must trade for needed goods and services. Consumers acquire money by selling their resources of land, labor, and capital to producers. In turn, they buy the goods and services produced by business. This concept must be included for consumer education to broaden its scope.

The omissions in the macro-economic area are even more striking. "Measures of stabilization" and "failures of stabilization" are mentioned but not explained or even defined. Any model claiming to represent important economic concepts should include aggregate demand, aggregate supply, money and monetary policy, fiscal policy, and public finance. The role of government is mentioned but only in relationship to consumer interests. Local, state, and federal government expenditures account for 40 per cent of personal income today. The average American works until mid-May just to pay his or her taxes. The taxing and spending patterns of government should have a prominent place in any model because comparing government services is one of the major tasks facing consumers.

Fortunately, we do not have to start over to develop a model for economic education. *A Framework for Teaching Economics: Basic Concepts* lists and explains important concepts in economics. Appendix Two, "List of Concepts," illustrates the important concepts listed in the *Framework*. Unlike the *Comparative Analysis* report's model, the *Framework's* concepts are organized into categories that go together. In addition, the concepts in the list are all explained in narrative form. Teachers, curriculum developers, and textbook authors know what the writers of the *Framework* think is important and why they think it's important.

The *Framework*, however, has shortcomings in both style and coverage. The narrative defining the concepts is full of economic code words. Teachers who may be teaching certain concepts sometimes do not even recognize these concepts in the *Framework*. A successful economics curriculum document must appeal to people other than economists.

Secondly, the *Framework* ignores consumer topics. Although a separate publication, *Strategies of Teaching Economics: Basic Business and Consumer Education (Secondary)* (Niss *et al.*, 1979), shows how economic concepts can be taught in consumer areas, it does not delineate the exact consumer competencies that are important. A revised framework for economics should include key concepts in applied areas of economics.

The *Framework* mentions a new important category of interface concepts, measurement concepts. Understanding the difference between rates and amounts; being able to read tables, graphs, and charts; and knowing how to compute averages are important in both consumer and economic education. Improving mathematical skills is a good reason to teach both.

CONSUMER EDUCATION CONCEPTS

Delineating key consumer topics should be the strength of the *Comparative Analysis*, but the consumer education concepts in the model also lack any clear pattern of organization. Some concepts such as "Owning vs. renting" seem like subcategories of larger concerns such as obtaining shelter. Others, such as "buymanship" are so broad that they should contain subcategories such as buying a house, a car, or food. Other concepts such as "estate planning," "tax planning," "retirement," and "net worth" have little appeal for elementary and high school students.

"A Proposed Consumer Education Model" (Appendix Three) represents an attempt to develop a conceptual framework for consumer education. The concepts are grouped into seven categories, and those concepts interfacing with economic education have asterisks. The model represents only one person's opinion, and any framework must be developed through a process of study and debate.

Although the purpose of the Consumer and Economic Education Conference is to interrelate the major concepts of each discipline, it is still preferable to develop separate frameworks for each subject area. The reasons are both practical and philosophical.

Teacher curriculum developers and textbook authors need practical information for the specific courses they are developing. Consumer education teachers want help for their course and probably are not interested in how to develop an economics course. Economics teachers do not want to go through material relevant only to consumer education.

In addition, an interactive model may be too complicated for front line practitioners to use. They need practical information, not convoluted flow diagrams. They desire a complete explanation of each concept in language that they can understand. Developing separate models does not mean that interface concepts will be lost because the appropriate ones will be included in each discipline's framework.

Philosophically, consumer and economic educators will never agree on the priority of concepts in an interactive model. For example, Fred Wilhelms views buymanship and money management as the foundation of consumer education while broader economic topics are in the superstructure. Economists, on the other hand, would turn the formula around. At best, they see consumer education as an applied kind of economic decision-making. Robert Horton and Dennis Weidenaar surveyed over 200 people active in economic education and developed the following consensus goals for economic education.

> The aim of economics education is to improve our understanding of the world in which we live. Without this understanding we are frequently confused and unable to identify, analyze, and interpret successfully the economic aspects inherent in so much about us.
>
> The goal reflects our conviction that comprehension of

> the economic realities of one's world enhances self-confidence and self-esteem. Accordingly, both intellectual and emotional barriers are lowered for the making of rational individual decisions, in the light of one's values, in both personal and social matters. Economics also provides frameworks and tools for rational individual discrimination among social alternatives, in the light of one's values. Hopefully, "better" social decisions will result (Horton and Weidenaar, 1976, p. III-A-1).

Lee Hansen, who acknowledges that consumer applications of economic principles should be stressed, still maintains the objectives of economic education are "responsible citizenship and effective decision-making" (p. 2).

Economic and consumer educators have much to share, but they have separate disciplines, with different emphases. A single framework tends to confuse rather than enlighten.

There will be no attempt to fully explain each concept in the proposed "Consumer Education Framework" (Appendix Three). However, a brief justification of the elements of the model is necessary.

Consumer decision-making is the core of consumer education. The *Comparative Analysis* model does a good job of identifying concepts essential to consumer decision-making. The model in Appendix three also includes scarcity, choice, opportunity costs, and trade-offs. If there were no scarcity, there would be no need for consumer decison-making. Its omission is a serious error.

"The Consumer and the Marketplace" reflects the philosophy that consumers are part of an economic system. Almost all the concepts listed are interface concepts.

"The Consumer, Government, and Law" is important because 40 per cent of personal income goes toward paying for government goods, services, and efforts to redistribute income. In addition, students should know the legal commitments they make when they sign a contract or buy on credit. They also should know what kinds of protection they have under the law and how they can make use of that protection.

"Buymanship" is an essential part of consumer education. The concepts listed under this category need considerably refinement. An important buymanship concept neglected in the *Comparative Analysis* model was buying services. The American economy is becoming increasingly service-oriented. Buying entertainment, medical care, home-repair services, travel, and education must be emphasized in the consumer education curriculum.

"Money Management" is another key to successful consumer education. The *Comparative Analysis* model does a good job of listing these mainly interface concepts such as budgeting, savings, credit, investing, and insurance.

Many of the skills developed in economics also apply to consumer education. Thinking skills, such as comparing, analyzing, inferring, and

evaluating must be combined with mathematical skills such as interest rate calculations, pricing, and unit cost determination. Of course, interpreting graphs, charts, and tables is as important in consumer education as it is in economic education.

The listing of "contemporary social issues" in the *Comparative Analysis* is a major step in broadening the consumer education framework and in making economics more relevant to real world problems. Consumers are also workers, producers, citizens, and members of society. Consuming must be put in perspective and related to other important concerns.

There is, however, an important omission in the list of social issues – inflation, one of the most important social issues of our time. Inflation distorts our economy and redistributes income from creditors to borrowers and from savers to debtors.

Transportation is another social issue of increasing importance. Consumer educators should teach students more than just how to buy and maintain a car. Mass transportation and its problems should be discussed. Also important is a study of the effects of our transportation mix on energy use and the environment.

CONCLUSION

This critique of the *Comparative Analysis* stresses the need for economic and consumer educators to cooperate more than in the past. This cooperative effort requires guiding principles, and unfortunately, the report provides little help here. The "Model of Consumer and Economic Education Learning Sequence" may appeal to theoreticians with analytical and abstract thought patterns, but its flow patterns, color codes, and undefined key words would be quickly discarded by busy teachers, curriculum planners, and textbook writers.

In fact, any model combining concepts exclusive to consumer and economic education with interface concepts may be too complicated to be valuable. A separate model should be developed for each discipline, but each model should stress the interface concepts.

An initial model already exists for economic education. *A Framework for Teaching Economics: Basic Concepts* can be used as the focal point in a process to further refine economic education concepts.

A similar model should be developed for consumer education. Appendix Three, which uses some of the concepts listed in the *Comparative Analysis*, provides some suggestions for such a model. A major effort must be made to develop a complete and useful consumer education conceptual framework.

Once these frameworks are developed, they will have immediate application by practitioners in the field. The important concepts can be listed on the vertical axis and the curriculum to be developed placed on

the horizontal axis. The curriculum can be listed by grade level, by course, or by type of materials. Completion of the chart will reveal the strengths and weaknesses of any curriculum. Providing this kind of help is the major goal of any conceptual framework.

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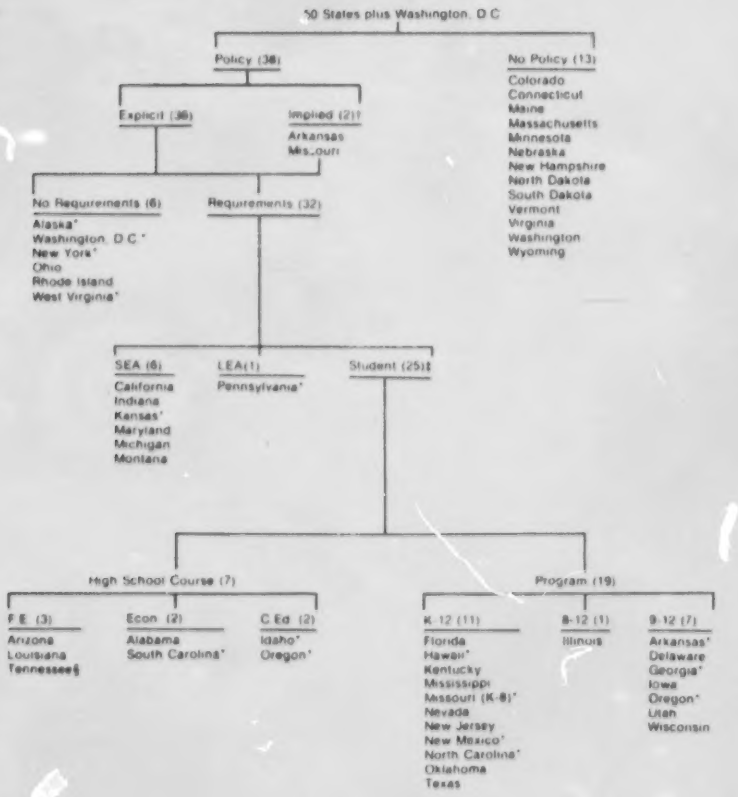
APPENDIX ONE A Survey of State Policies on Consumer Education



†An implied policy means there is no definitive consumer education policy. However, consumer skills and knowledge are included in a state adopted competency program.
*SBE policies, others are legislative.
‡By implication, if the requirement is that students receive instruction, then there is a requirement for LEA's to provide instruction.
§The SEA believes this to be a "free enterprise" mandate and does not believe a consumer education course would satisfy legislative intent.

Source: *State Consumer Education Policy Manual*, Robert J. Alexander and Homer Elseroad, U.S. Office of Education, Department of Health, Education & Welfare's Office of Consumers' Education, Grant #007703050, January, 1979.

APPENDIX TWO List of Concepts

BASIC ECONOMIC CONCEPTS

THE BASIC ECONOMIC PROBLEM

1. *Economic Wants
2. *Productive Resources
3. *Scarcity and Choices
4. *Opportunity Costs and Trade-Offs
5. Marginalism and Equilibrium

ECONOMIC SYSTEMS

6. Nature and Types of Economic Systems
7. *Economic Incentives
8. *Specialization, Comparative Advantage, and the Division of Labor
9. Voluntary Exchange
10. Interdependence
11. Government Intervention and Regulation

MICROECONOMICS: RESOURCE ALLOCATION AND INCOME DISTRIBUTION

12. *Markets, Supply and Demand
13. *The Price Mechanism
14. Competition and Market Structure
15. "Market Failures": Information Costs, Resource Immobility, Externalities, etc.
16. Income Distribution and Government Redistribution

MACROECONOMICS: ECONOMIC STABILTY AND GROWTH

17. *Aggregate Supply and Productive Capacity
18. *Aggregate Demand: Unemployment and Inflation
19. Price Level Changes
20. Money and Monetary Policy
21. Fiscal Policy: Taxes, Expenditures, and Transfers
22. Economic Growth
23. *Savings, Investment, and Productivity

THE WORLD ECONOMY

24. International Economics (uses the concepts above)

Source: W. Lee Hansel et al., *A Framework for Teaching Economics: Basic Concepts*, p. 9.

ECONOMIC INSTITUTIONS

MEASUREMENT CONCEPTS

1. Amounts versus Rates
2. Averages and Distribution Around the Average
3. Real versus Nominal
4. Ratios
5. Index Numbers
6. Tables
7. Graphs and Charts

CONCEPTS FOR EVALUATING ECONOMIC ACTIONS AND POLICIES

BROAD SOCIAL GOALS

Freedom, Economic Efficiency, Equity, Full Employment, Price Stability, Security, Growth, Other Goals

TRADE-OFFS AMONG GOALS

SELF-INTEREST AND PERSONAL VALUES

APPENDIX THREE A Proposed Consumer Education Model

I. Consumer Decision-Making Process
- Values
- Goals
- Goal conflicts
- *Economic wants
- *Productive resources
- *Scarcity and choice
- *Opportunity costs and trade-offs
- Advertising
- Lifestyle
- *Utility

II. The Consumer and the Marketplace
- *Markets, supply, and demand
- Advertising
- *Voluntary exchange
- *Interdependence
- *Consumer fraud
- *Consumer complaints
- *Effect of income distribution on consumers
- *Competition and market structure
- *Prices

III. The Consumer, Government, and Law
- Consumer laws
- *Government taxing
- *Government spending
- Contracts
- Consumer advocacy

IV. Buymanship
- Food
- Clothing
- Autos
- Housing
- Education
- Owning vs. renting
- Travel
- Entertainment
- Medical care
- Comparison shopping

V. Money Management
- Budgeting

Credit
*Savings
*Investing
*Insurance
Money mechanics

VI. Consumer Skills
*Comparing
*Evaluating
*Analyzing
*Inferring
*Amounts vs. rates
*Reading tables
*Reading graphs and charts
*Adding and subtracting
*Multiplying and dividing

VII. Social Issues
*Inflation
*Unemployment
*Poverty
*Aging
*Urban problems
*Energy
*Transportation
*Housing
*Education
*Discrimination
*Depletion of resources

*Indicates interface concepts.

A Response to "Examination of the Integration of Consumer and Economic Content"

Gwen J. Bymers

I want to begin with a note of appreciation to those who originally put this model together, ran it through the series of reviews, and eventually pulled out a report. It must have been a frustrating and discouraging experience, because I am sure they knew all the time that the end product would be pulled apart by colleagues playing a fifth quarter.

The project and the report represent a first step in trying to bring a systematic perspective to a very muddled picture. In the model, resources, markets and contemporary social issues emerge as the most significant categories for both consumer and economic education, and the two seemingly interface with a common theoretical base (p. 17). The project leaders and the panel who attempted to bring some order out of the chaotic set of materials that pass as consumer education should be especially thanked for their efforts.

Now that I have paid my respects, let me get on with the task. There is a great deal to be done before this group or any other conference comes up with an operational model for teaching consumer or economic education at the K-12 levels. The lack of agreement among the reviewers on the items to be incorporated, the jumbled nature of the concepts eventually included in the framework, the mix of key items, sub-items, and issues in the diagram is distressing. I am afraid these problems will seriously inhibit the use of this report by curriculum developers, administrators, and classroom teachers.

According to the report, consumer education is in a bad way, particularly at the K-12 level. Economic education is not far behind. The courses are too often taught by individuals with little or no special train-

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ing in what they are teaching. The textbooks are weak on the coverage of necessary concepts, and curriculum guides parallel the texts in great part. Nor have the concepts considered important been very well covered in the printed materials available from other sources. As far as contemporary social issues are concerned, none of the materials surveyed would appear to provide students with the tools or the experiences of thinking analytically about an issue (pp. 11–18).

Consumer education has been a stepchild for a long time. When I really get discouraged about consumer education, I recharge myself with Hazel Kyrk's comments on the subject.

> Education for wise consumption is evidently not something that can be reduced to a course of ten or even forty lessons. To be adequate, it must be a planned attempt to coordinate the diverse fields of thought that have something to contribute to the shaping of the consumer's standards of choice and to direct what they have to offer to the specific problems involved (1953, p. 392).

Perhaps the most any one individual can do is try to keep an eye on the big picture and nudge the field forward a bit at a time. Thank you, the panel and the project leaders, for nudging it as far as you have. Now it is my turn.

I was pleased that I was asked to talk about the interface of these two areas of learning. From my perspective it is at the interface where the critical issues lie. The two fields have a great deal in common, as the report amply demonstrates. The report does not deal with the question of whether or not they should be separate areas of study. Rather, the research was designed to establish the boundaries of the two areas and identify the interface. Separateness was assumed. I am not implying that these two areas of study are the same thing; rather, they are two quite distinct but complementary thrusts that should stem from a common pool of subject matter essential to both.

Consumer education has as its task to prepare individuals for their roles as participants in a complex market-oriented society, one in which consumer decisions influence the production process, perhaps not as much as we would sometimes like, but certainly enough to put informed decision-making far ahead of uninformed choice. The emphasis in consumer education needs to be on the individual and the household, but the content must clearly articulate with the larger economy, in both the market and public sectors.

Economic education ought to be concerned with preparing these same individuals for their adult roles in the same complex economy, supplying them with a set of intellectual tools that will help them make intelligent decisions on current economic and social issues.

If consumer education included no more than economic content, then surely with a little ingenuity consumer education (K-12) could piggyback on economic education. If consumer education takes a broader

perspective and includes nutritional aspects of food choice, emotional and psychological considerations, particularly for apparel and shelter decisions, managerial functions of the household, and pays some attention to the intricate family relationships that influence household decision-making, the separateness of the field is clear.

Economics isn't the whole story in a consumer education program. However, consumer education that does not include solid economic understanding is indeed misnamed.

CONCEPTS AT THE INTERFACE

Fifty-two interface concepts organized into ten of the twelve identified categories cannot help but radiate confusion. I have pages of rough notes indicating my problems with the items presented in Diagram B. Instead of piling up confusion with my comments, item by item, I am going to present a little model of my own. It will deal only with interface concepts. Do not worry, there will be plenty left to do when I finish.

Interface concepts between economic and consumer education fall into two distinct types:

> Type I. *Common terminology with meaning and content of the concept shared by the two fields.* These are the basic concepts that form the foundations in which the two areas develop. Terms such as resources and markets occur at this level. Chart I.
>
> Type II. *Common terminology but treatment and analysis differ.* The second type may be further subdivided to distinguish between terms that are common but treated differently, and contemporary social issues. Charts II and III.

Advertising, interest rate, and housing are examples of concepts common to both fields but looked at differently. Contemporary social issues are of concern to both fields, but again the approach to the problems differs considerably. There is room to question the inclusion of issues as interface concepts. We will speak to this a bit later.

It may be that only Type I concepts really belong at the interface. If we take this position, we still have to cope with the fact that these Type II A and B terms appear in both subject matters. By recognizing the common terminology and differing treatment in the two fields we can see merit in the overlap.

When we are talking about consumer and/or economic education at K-12, we must remember that the teaching that takes place at the elementary level will have to be piggy-backed on social studies, language arts and math. However, there is a set of economic and consumer education ideas that could ride well if taught effectively in the early years. Once the

Type I concepts are understood in simple terms, making the transition to more specialized terminology as consumer and economic education courses emerge should be less confusing.

In preparing Chart I, I was tempted to indicate some timing as to when the concepts might be introduced. Needless to say, I thought better of that idea—and have deferred that task to a set of educators better equipped than I am to determine when a youngster is ready to absorb these ideas. However, I do know some five-year-olds who can be pretty savvy about reward mechanisms.

I am not prepared to argue that this framework is either correct or complete. I believe it will convey an operational set of ideas that could be incorporated into the teaching of kindergarten up to middle school. These ideas should not be taught in a vacuum, but introduced in the context of problems appropriate to the grade level, revisited and expanded from one year to the next. As the fields diverge in middle or secondary school, educators could build on the common foundations, introduce more sophisticated versions of the concept, bring in the problems, and develop tools for analysis.

Type I Concepts

Ideas of Type I belong at the interface, not because they are fringe concepts, but because they are central to both economic and consumer education. In the paragraphs that follow Chart I, I have tried to indicate some of the basic content within each concept. The explanations are very simple; I hope they are not perceived as simple minded, but if they are, so be it.[1]

Values—goals Although *values* are seldom discussed in economics texts, their relationship to the *goals* held by individuals and societies should be part of both consumer and economic education.

The report included *values* but not *goals* among the interface concepts. I found this very strange, particularly when *goal conflicts* entered the interface set. I would expect the goal conflict concept to follow discussion of values and goals, but the discussion would most likely occur in reference to decision-making in both consumer and economic education. Just when and how these concepts are introduced into formal education is probably debatable, but the discussions will be advanced if the foundation concepts are understood.

Needs—wants "I *need* a drink of water." "I *want* a cookie." Five-year-olds may know, but recognition of the distinction between these terms is often lacking among adults if we judge by campaign rhetoric and the press. Both consumer and economic education will stand to gain if students understand that it is *wants*, not needs, that mostly direct our choice behavior. Individuals want a multitude of things, not all tangible, but a great share of what people seek falls into the category of *goods* and *services*.[2]

Chart I

Consumer and Economic Education
Interface Concepts (K-12)
Common terminology, content and meaning

Type I Concepts*

Values/goals	*Production*/productivity
Needs/*wants*	Mobility/immobility
Goods/services	*Markets*/marketing
Scarcity/*substitutibility*	Profits
Prices/pricing	*Risks*
Money	*Opportunity cost*
Resources	Savings/delayed consumption
	Income/purchasing power

*Items italicized were also included as interface concepts in the report,"Consumer and Economic Education (K-12): A Comparative Analysis."

Goods – services A concept not listed in the project report, but one that seemed to be assumed in the discussion, is goods and services. The term is a useful one in that it can stand for the supply of milk and swimming lessons, of beds and haircuts, and the multitude of things that somehow "appear" to satisfy our *wants*. The concept should be introduced as a flow, not a stock, and then two conditions that make choice necessary will readily emerge, *scarcity* and *substitutibility*.

Scarcity – substitutibility *Scarcity* is a concept that distinguishes economic from free goods. People will exchange (trade for) scarce goods because their wants differ. They want different things with different intensities. To have one more unit of a scarce good, people are willing to give up something. Basically all goods and services are substitutible one for another. In economics we are likely to refer to trade-offs or opportunity costs when we discuss this concept, but it is the underlying substitutibility that is fundamental to trade.

Children understand the idea even before they go to school. "Two licks off my ice cream cone for a slurp of your coke" or "five glassies for an aggie" are understood on the playground. The ratio of exchange or the terms of the trade will depend upon the quantities available, but the idea that goods trade for goods, that exchange rates can be established, can lead students readily into the concept of *price* and *pricing*.

Prices – pricing "Two licks for one slurp" may serve as the basis of trade on the playground. It answers the question of "How much?" although not very efficiently. "How much?" is really asking what is the *opportunity cost* of acquiring one more unit of this or that? What has to be given up? For this we have adopted the convention of *price*. Price is

really a coding mechanism for translating a whole series of trading ratios into a common denominator, generally designated as units of money.

Price is really a major communicator in the system. It *allocates* resources and *rations* supplies. People tend to gripe about the messages, question the allocations, and distrust the rationing process, but known alternatives appear to do even less well. For this reason, it is doubly important that students acquire early a clear and unbiased knowledge of the role and meaning of price in the system, knowledge that they can carry forward as they deal with later consumer and economic issues.

The report, for some reason, saw only the resource allocation function of price as at the interface. Price as a communicating and a rationing mechanism should be equally important to both consumer and economic education, K-12.

Money This is evidently such a pervasive notion that those associated with the report assumed its existence and made no menton of it as an interface concept. By convention we have adopted the idea that prices will be expressed in money terms. Money—the common denominator, the medium of exchange which also serves as a store of value (if we can hold some heroic assumptions about the stability of the price level)—is an interface concept of no small importance. It is probably one of the first economic concepts that children acquire. As they advance through the grades, they learn more sophisticated notions of what is and isn't money, but both consumer and economic education ought to begin with a common understanding of what the term means and what its basic functions are.

Resources *Resources* and related concepts are very definitely at the interface of consumer and economic education. This is a term that contains several levels of meaning. At its simplest level, a resource is "something ready if needed." *Resources* are important to both market and non-market production. A flaw in the report is that nowhere is non-market production considered.

Resource as a term to identify what we use in the production process, both at home and in the economy, is a critical concept. Space, time, skills, and machinery may be a meaningful way to introduce the litany of land, labor, and capital at the early years. The conditions of *scarcity* and *substitutibility* will take on additional meaning as they are associated with resource use in the production process.

Production—productivity The model did not include either *production* or *productivity* as interface concepts. This simply confounds me. Unless our educators have a clear grasp of the essential ideas of production, how can we expect the citizenry to establish sound policy in any area?

The idea of production, combining resources to produce goods and services, is fundamental, as is the fact that one resource can substitute for another in the production process. Time-for-skill-for-machines can be demonstrated at the sandbox level. It takes a child with little skill and

no shovel quite a while to build a fort. Give him a bit more know-how and a handy shovel and watch him produce!

Productivity, the idea that there is a relationship between units of output and inputs in the system, is another concept that needs attention in both consumer and economic education. The idea does not need esoteric, rigorous treatment at the K-12 levels. In its simplest form it can help students understand the availability of goods and services for both private and public consumption.

Not only are scarcity and substitutibility conditions that influence resource use and consumer choice – another set of conditions, *mobility* and *immobility*, needs to be understood. Mobility is a really powerful concept in economics and is important to both economic and consumer education. It extends far beyond the old textbook notion that implied resources darted almost magically from one most productive use to the next.

In the real world economy, not only are resources relatively mobile if we allow them a little time, but final products and consumers have also demonstrated considerable talent for moving about, especially if the "price is right." People and potatoes are both apt to leave low-wage, low-price situations, providing there aren't too many institutional arrangements holding them back.

Markets – marketing An understanding of *markets* and *marketing* is probably the most critical of the concepts for both consumer and economic education. It is through an elaborate system of markets that the economy functions and the consumer is able to make the set of choices that eventually add up to his/her level of living.

The functions of the market, the market as a productive institution, and the structure and types of businesses to be found in marketing are all appropriate concepts for the foundation of both consumer and economic education.

The fact that markets are frequently imperfect and create problems for both buyers and sellers should not be ignored. However, we do not need more high school graduates who know everything that is wrong with the market system, but haven't the foggiest idea of what the system should be doing and how it operates.

Profits Profit as a normal return for bearing risk or running a business is a concept all students ought to understand. Unfortunately, classroom economic analysis has probably created most of the confusion that surrounds this term. The competitive model introduced in college economics obscures normal profit within something called supply price and puts emphasis on unnecessary profit which time and competitition should eat away. Generations of students emerge from Economics 1A with one clear notion, "profits are unnecessary." This misconception apparently gets carried back to elementary and secondary classrooms via one route or another.

Profit, risk, and uncertainty are some of the most fascinating topics in economic study. For the purposes of consumer education we will do

well if we can make the connection between the presence of competitors or alternative sources of supply and the reduced likelihood of unnecessary profits. If, in addition, high school students can be taught to distinguish between operating margin and operating profit at the retail level, we will have advanced a long way.

Risk The prevalence of risk has considerable importance for both fields and will appear again as a Type II concept. There it will come in for quite different analysis and treatment. The common understanding should be that risk implies costs to the sytem. Costs should be kept down as much as possible, but they must be met one way or another.

Savings The basic notion of delayed consumption out of a given income stream ought to be a common concept for both consumer and economic education. Savings is another example of an interface concept that will occur at more than one level. It will require quite different treatment in a personal finance unit from that which it will receive in a section of economic education dealing with savings, investment, and the multiplier.

Income—purchasing power The idea of a flow or stream of purchasing power that allows individuals to have command over goods and services belongs at the interface of these two fields, even though the idea will receive more attention in each area later on. Income or purchasing power needs to be understood as coming out of the productive activities of the economy rather than being generated by a beneficent government or welfare system.

Type I. Summary This brief discussion of ideas may come through as superficial and obvious; however, it may be the obvious that needs to be understood, especially by those planning either consumer or economic education. This list will expand as the concepts are developed in the K-12 programs.

These ideas are truly at the interface of consumer and economic education. As students gain understanding and begin to mesh together the concepts of goals, wants, resources, goods/services, scarcity, production, profits, marketing, money, income, and savings they will acquire a framework against which to appraise problems associated with the functioning of our far from perfect system. I don't think they need to understand pure competitition or monopoly nearly as much as they need to recognize the kinds of forces in the system that lead in these directions.

It must be a gradual learning process. Repetition and expansion of concepts as students move from one grade to another is the name of the game. K-12 teachers must resist the temptation of trying to teach everything they learned preparing for their graduate school exams. Many of the basic ideas can be presented very early and repeated in more elaborate and technical form as the students mature. The important thing is that both consumer and economic education can build on these ideas.

Type II A

Here we are dealing with terminology that is common to both areas, consumer and economic education, but beyond that point the community ends. The concepts are understood and examined from quite different perspectives, and they receive quite different treatment in texts and in classrooms. Chart II contains a few of the ideas that would be likely to be associated with the concept in each field.

There is a question in my mind as to whether concepts of this type should be included in the interface list, in as much as they receive quite different analysis in the two fields. Although one might like to have K-12

Chart II

Consumer and Economic Education Interface Concepts (K-12)

Type II A – Common Terminology. Treatment and analysis differ.

CE	Concept*	E Ed
Source of consumer information and misinformation re products. Generally regarded as adding to costs.	*Advertising*	Product promotion. Marketing tool – can lead to lower unit costs.
One of the largest items in consumer budget. Source of several consumer problems, labeling, packaging, etc.	*Food*	Major economic sector. Food/income ratios indicators of relative prosperity of system.
Viewed as source of consumer protection, truth in advertising, labeling, etc.	*Government regulation*	Regulated markets. Barriers to entry, administered prices.
Owning vs. renting. Terms of acquisition. Down payment, interest, quality, community.	*Housing*	Construction – key economic sector. Effect on employment. Use of capital.
Delayed consumption. Financial security. Personal wealth.	*Savings*	Delayed consumption. Source of investment capital.

*This is only a suggested list. Italics indicate that the concept also appears at the interface in the OCE report.

students appreciate the macro dimensions of topics such as advertising or housing, it behooves us not to bite off more than we can chew. The full impact of the construction industry on the capital market is probably a bit much for a consumer education class. However, students might be expected to appreciate what happens to the supply of mortgage credit at the household level when savings rates decline.

The boundaries are found to be fuzzy in regard to these concepts. Much will depend upon the orientation of the teacher and his or her training and experience. If we hew to the rules of honest advertising, the consumer education offerings in these areas will focus on the consumer or household, the micro approach. The economic education program has as its responsibility helping the student view the questions from a larger perspective, that of industry and the economy.

Type II B

At first glance these appear very like the concepts listed under Type II A. They differ primarily in that II B represents problems or concerns the society is currently trying to deal with, while II A concepts are somewhat less problem-oriented. Chart III indicates possible distinctions in the approach of the two fields to contemporary issues.

Social issues provide an opportunity for exciting and effective teaching, particularly when the instructor can sort out the basic ideas that are involved and lead the students to recognize them. There can be little argument that both groups of educators have a responsibility to include such issues in their courses; however, it is not clear that issues should be considered as concepts in the framework. There is a distinct difference in the possible approaches of the two fields to these concepts. The hazard is that, in practice, the difference in approach will be hard to detect. In an effort to be relevant and in the face of a lack of teaching materials dealing with such issues, teachers may assign whatever is available. There is considerable overlap and duplication. This would not be all bad if the orientation of the discussions could go beyond describing the problems, but the most serious lack in teaching about current social issues in both consumer and economic education is the fact that there is so little analysis of the problems or evaluation of proposed solutions. Elementary and secondary teachers are often pressed to add on current units of study, but often lack sufficient knowledge to select, organize, and relate the basic concepts to the issues at hand.

Higher education is not immune from this dilemma. When poverty found its way into the college classrooms in the early 1960s, students were assigned the same material in several different courses. Most of it was descriptive, consciousness-raising books and articles that did not help students think critically about the problems. We may agree that, before attempts to improve the situation could begin, individuals and society had to be made aware that not every household ate well or slept on queen-sized Beauty Rest mattresses. But I think we must also recognize that educators, in their attempts to be relevant, did not add

Chart III

Consumer and Economic Education Interface Concepts (K-12)

Type II B—Common Terminology: More likely to be problem-oriented and requiring different approaches.

C Ed	Contemporary Social Issues*	E Ed
Personal financial planning. Social and community programs for the elderly.	*Aging*	Effect on labor force. Effect on markets, merchandising, prices.
Cost in household budget. Influence on decision making, housing, transportation, etc. Conservation.	*Energy*	National outlook. Foreign trade. Impact on production, prices.
Purchasing power of household income. Debtor *vs.* creditor.	*Inflation*	Money supply. Interest rates. Foreign trade balances.
Impact on household. Methods of coping. Sources of assistance.	*Poverty*	Defining level. Income distribution problem. How to increase productivity to offset welfare questions.
Effect on household. Relationship to type of employment. Methods of coping.	*Unemployment*	National income analysis. Business cycles. Growth question. Government policies.

*This is only a suggested list. Italics indicate the concept also appeared in the interface in the OCE report.

much to the intellectual tool kits of the students that would enable them to appraise and sort policies that might be effective in alleviating poverty.

When consumer and economic educators find themselves studying the same contemporary social issues, it could enrich the course and widen

the discussions if the two groups were to join forces. Team teaching can be very interesting, though also very costly. The hazard is that it will descend into "turn" teaching, a most unproductive endeavor.

If the students in the two courses have had as background a common set of understandings *re* the key concepts of economics, then some effort to bring a consumer point of view into an economic discussion of such questions as energy, inflation, or taxation can be very useful. If the key interface concepts have been ignored or poorly taught, there is little to be gained by enlarging conversation.

SUMMARY

Consumer education and economic education are two quite distinct but complementary areas of study. There is considerable interface of ideas inherent in the two fields. Concepts at the interface fall into two distinct categories:

Type I terms that require common understanding in both consumer and economic education.

Type II terms that occur in both fields but require different treatment.

The second category can be further split to separate contemporary social issues (B) from other common terms (A). The distinction between Types I and II is a matter of substance; the second, between A and B, is a matter of degree.

Introducing Type I concepts into the K-12 program systematically requires considerably more attention than it appears to have received in the past. Attention must be paid to the fact that teachers often have little or no basic economic understanding. This lack is more serious than is the lack of coverage of interface concepts in the teaching materials.

Designing a curriculum for consumer and/or economic education that will build on the interface concepts without generating too much overlap is no small order either. The alternative, that each group proceeds merrily on its way, can only result in even more confusion and a less well-informed citizenry.

At issue is not the "territorial imperative" of consumer and economic education, but rather the productivity of the system. We need to use our educational resources more efficiently to improve the end product of our elementary and secondary systems; i.e., our task is to produce more informed consumers and citizens. This may mean less emphasis on the trappings of education and more on the fundamentals.

FOOTNOTES

1. An excellent example of an introductory economics text written on the premise that simple explanations do not have to be simple minded is Bowden's *Economics: The Science of Common Sense* (1974).

2. Much of the discussion in this section draw on the second chapter of Alchian and Allen, *University Economics*, 1964, pp. 11-16.

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A Response to "Examination of the Integration of Consumer and Economic Content"

Marian Kienzle and George L. Wyatt

INTRODUCTION

Consensus on the definition and content of consumer education and economic education between any two "experts" is difficult, sometimes impossible. Agreements on what is or should be are equally controversial (Nader, 1975; Wilhelms, 1974). A first major effort to make some delineation of the content interface between these two important curriculum areas was accomplished by *Consumer and Economic Education (K-12): A Comparative Analysis* (Trujillo, 1977).

As with any initial effort, strengths and weaknesses in both the process and model exist. To date, three basic determinants have limited the use of the model in providing guidelines to educators in the implementation of programs.

- No evidence of extending the review and reaction process beyond the initial review board.
- No evidence of review and update of the content in terms of educational and economic priorities and issues.
- No documented evidence of implementation and/or use of the model in a pilot program at either the local, state or national level.

The model, therefore, exists only as an initial research effort. It is the purpose of this paper to analyze this initial effort and provide some

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direction as to its usability, through example, in planning for improved educational guidelines for consumer and economic education, including the interface between these curricular areas.

To satisfy this objective best and to escape the singular focus of a reviewer, based on academic training, experience, and prejudice, this reaction is a joint endeavor of both an economic educator and a consumer educator. In spite of the separate and collective experiences of the authors in interfacing economic and consumer education concepts, they recognize that some differences in content and emphasis do exist.

This paper is an effort to solidify expertise, minimize differences in perspectives, and provide suggestions for further development of the interface between these two curricular areas.

LIMITATIONS: PROCESS AND CONTENT

The review board process for choosing and reaching consensus over consumer and economic education concepts and their placement in the model is cost- and time-effective. It is, however, more of a legislative than a scientific process. There is little, if any, description of the criteria for concept inclusion and placement in the model and in the learning sequence.

While the concepts are isolated and identified, the learning sequence of the model is not well specified; linkages between and among components are lacking; and there is no certainty that the learning sequence is related to the needs, aspirations, and capabilities of the students (Hawkins, 1977; Warmke, 1974).

Inconsistencies exist throughout the text of the model which lead to confusion of the basic concepts and their relationship in the learning sequence. The following examples are indicative of these inconsistencies:

- *Differences exist between the concepts in Diagram B and the descriptive phrases in Appendix B.* (Example: Both financial records and net worth are listed separately in the diagram, but mentioned only as part of the broader concept of sources of information in the Appendix.)
- *No concise definition of terms is given except as descriptive phrases in Apendix B.* (Example: The footnote on page three identifies this limitation and refers readers to textbooks for assistance.)
- *In some instances, the review board's rankings are interpreted without explanation.* (Example: Differences exist between the ratings and the designation of the concept as primarily economics, consumer education, or interface, in content areas which receive more than one ranking, including borrowing, insurance, buymanship, role of unions, U.S. economy, controlling specific markets, measures of stabilization, measures to correct failures, urban/city, and discrimination.)

The most crucial limitation of both the model and the process is the lack of provision for a common base to bring together consumer and economic education. In essence, the model implicitly assumes the following: that economics and consumer education more often than not view issues from different perspectives; that terminology and use of the language is frequently different; and that emphasis, orientation, and objectives are usually different. The resultant model is a product which is difficult to interpret from either perspective. In the absence of a well-defined set of concepts and descriptive terms, there is a tendency to achieve consensus through ambiguity and generalization.

ADEQUACY OF ECONOMIC CONCEPTS: FOCUS AND CONTENT

A detailed review of the model raises important issues and identifies deficiencies related to economic education and the learning sequence. While the idea of a model is to simplify a complex situation into basic functional relationships, it is essential that the model not be distorted as a matter of convenience nor lose its objectivity. This is essential if it is to provide a defensible educational base for decision-making as consumer, producer, and citizen.

The economic focus is diffused, distorted, disjointed, and therefore misleading in its current form. It does not clearly identify the basic components of production, consumption, and distribution and the resultant implications for social welfare (Barkley, 1977; Dolan, 1977; Miller, 1976). While "Production" and the "Consumer Decision Process" are included, the interaction and linkages between these components are not identified. The basic model reflects a simplistic, unidirectional relationship among components. In order to be more realistic, the model must be modified to show the interaction among the identified components.

Internal to the consumer decision process is the relationship between limited resources and unlimited wants. This relationship constrains consumer decisions and necessitates choice making (Barkley). Scarcity and choice are fundamental concepts to both economic and consumer education. The importance of these concepts is implied in the "Resources" at the beginning of the model.

Given that resources are limited and people's wants unlimited, the problem that faces any economy is how to use scarce resources and organize production so as to best satisfy society's unlimited wants (Miller). This requires that production in our economy be organized so that the maximum output is obtained from available resources, thereby achieving economic efficiency.

The "Consumer Decision Process" component is inadequate since

several important concepts are either missing, merely implied, or not easily identified. For example, consumer sovereignty, tastes, and consumer expectations are not included either in the model or in the descriptive phrases in Appendix B, and diminishing marginal utility is only implied under "Utility." Consumption versus savings, maximization of satisfaction, budget constraint, and product substitution do not appear as concepts in the "Consumer Decision Process," but appear elsewhere in the model.

The component "Production" does not explicitly incorporate the economic concepts of technology, growth, profits, cost of production, marginal cost, and the production function. The production function may be implied under productivity, but the relationship between factor input and product output, given the state of technology, is lacking.

Although it is noted that Diagram B does not attempt to show how various components interacted with each other, it is inappropriate and misleading to display "Labor" as a separate component. Labor, one of the factors of production, is not conceptually parallel to "Production" and "Consumption." To single out labor and omit natural resources and capital as well as entrepreneurship raises questions about objectivity and intent.

In the "Markets" component, there is need to clarify that price is an allocator in both the product and the factor markets. It is confusing to use the concept consumer versus producer markets, as there are basically two markets: the product market and the factor market. In the factor market, factor prices serve to allocate the factors of producion in the production process. In the product market, product prices serve to allocate the goods and services in the consumption process.

The concept of individual versus societal rights and the associated trade-offs are not explicitly identified in the "Government Intervention and Control" component. Also, fundamental to this component is the "free rider" concept. Both concepts should be added.

"Contemporary Issues" would be a more appropriate title than "Contemporary Social Issues," because it includes concerns which are economic and political as well as social. Concepts which should be added to this component are income distribution, freedom of choice, inflation, and environmental quality. All of these deal with concerns which are interactive throughout the economy and which affect production, consumption, distribution, and social welfare. Consequently, all should be keyed to reflect interface.

A major component missing in the model is tools of analysis, which includes both measurement and evaluative concepts (Hawkins). It is the ability to measure key variables and rate them in terms of specified criteria that allows individuals and groups, acting as producers, consumers, and citizens to objectively evaluate the performance of the economy. Analytical tools are used to evaluate economic freedom, efficiency, growth, and security; equity; employment; and price stability. This missing component should precede "Contemporary Social Issues" in the model so that students can more effectively analyze these issues.

ADEQUACY OF CONSUMER EDUCATION CONCEPTS: FOCUS AND CONTENT

As previously mentioned, the lack of definiton of terms is a major weakness of *Consumer and Economic Education (K-12): A Comparative Analysis*. This is particularly critical for consumer education, since no body of knowledge, with agreed-upon terminology, is generally accepted. This situation was noted in the introductory section. Yet existing consumer education guides, materials, and resources were used to determine the content and focus of the model. This appears to reinforce current inadequacies in the scope of many consumer education programs (Armstrong and Uhl, 1971; Nader; Richardson, 1978; Wilhelms, 1974). It is essentially incorrect to attempt to interface two curricular areas when no accepted body of knowledge has been agreed upon for consumer education and no consistent terminology has been defined to allow for the interface between consumer and economic education.

Further, it is distressing to note that no member of the review board is a currently practicing elementary or secondary level classroom teacher (Davis, 1974; Hawkins; Warmke). The weakness of the consumer education thrust and the lack of reaction from the K-12 educators for which the model was developed is intensified by the review board's use of the working definitions as stated on page 3. Why is Economics "the study of," and Economic Education, "instruction in," while Consumer Education remains "an effort to?" The inference is that consumer education is subservient to the academic discipline of economics.

Before consumer education can reach status as a discipline, there must be agreement on the scope and content (Wilhelms, 1974, 1979). The purposes, objectives, and content of the Consumer Education Development Program should be carefully analyzed, providing a basis from this national study for review of the adequacy of content and focus.

Any subsequent modification of the model should give priority consideration to expanding the conceptual base of consumer education beyond the scope of money management and buymanship skills (Wilhelms, 1979). It is inappropriate for today's consumer education programs to focus primarily on the consumption of goods and services at the least cost to the individual as the ultimate purpose. An even more pressing need is to help students learn to evaluate their choices concerning the availability and use of resources. It is no longer possible simply to consume goods and services without considering alternatives. Consumers must be encouraged to weigh the effect of their consumption of finite resources against the broader concerns of scarcity and environmental preservation.

Altering the model consistent with this need for broadening the conceptual base could provide a framework and learning sequence that is meaningful to all teachers, whether generalists or specialists in consumer education or economics (Davis; Hansen *et al.*; Langrehr and Mason, 1977). Total agreement on the components and their placement in the

model will never exist; however, consensus on the broader conceptual base will allow for more realistic interface with economic education.

Both "Consumer Interests" and "Determinants of Financial Resources" appear as unrelated attachments, giving the impression that they are incidental to the model. Realignment of these subcomponents would help to clarify the content and learning sequence.

A definitive listing of missing or misplaced components or concepts is not intended, due to the lack of agreement on what constitutes consumer education and the inherent terminology maze. It is important, however, that more emphasis be placed on consumer rights and responsibilities, including such concepts as consumer redress, consumer legislation, and sources of consumer assistance. In addition, the model needs to reflect the current thrust of helping consumers directly influence the marketplace through active participation.

Recognizing the importance of credit in our economy, it would be more appropriate to identify credit as a concept. It is frustrating to find credit and its implications under the descriptive phrase of "borrowing." Certainly, it must be considered as important as net worth or financial records, which are identified as concepts.

Given that individual and societal use of scarce resources is basic to economic and consumer decision-making, it seems erroneous to focus any of the components on a single audience, whether it be consumer, business, government, or labor. The major difference in the focus depends largely on the educators' training and experience and only partially on the model. Consumer educators tend to emphasize the impact and role of the consumer, giving less emphasis to the role and function of government, business, and labor. The weakness of many consumer education programs has been this singular emphasis on the individual. On the other hand, many economic educators have provided only the broader societal focus without association to the individual's consumer, producer, and citizen role. The model, if applicable to both consumer and economic educators, should meld together the expertise and emphasis of both in the interaction between personal resolution of current issues and the trade-offs with the "greater societal goods." A simplified, yet logical model could help consumer and economic educators to perceive their unique role and the interface between these two curricular areas, thereby enhancing educational opportunities for students (Hawkins; Nader).

APPLYING THE MODEL

Reaction on an intellectual level to the focus and content of the model is but one step. Of greater value is the constructive evaluation of the model's usability in curriculum planning. When based on practical experience, this can provide insight into needed modifications. Since the

model was used as a guide to curriculum development in Oregon, this example will be used to evaluate the model (Oregon Department of Education, 1974). Suggestions will be made from this example which hopefully will assist in focusing on its extended usability.

Beginning in 1978, Oregon secondary students were required to earn one unit of credit in consumer education/economics/personal finance in order to graduate (Oregon Department of Education, 1976). Consensus had previously been made on what constituted the framework for this required course, and an established taxonomy for statewide curriculum existed which was recognized by educators throughout the system (Oregon Department of Education, 1974). The inclusion of economics in 1976 was received with mixed reactions since no statewide curriculum guidelines for economics existed. Curriculum planners were asking such questions as:

- Is the requirement intended as an economics focus or as a consumer education focus, or both?
- What differences and/or similarities exist between the content of each?
- What differences and/or similarities exist between the teaching methodology of each?
- Can the "whole" of both economics and consumer education be adequately covered in one unit of credit (130 clock hours of instruction) at the secondary level? If not, what might be infused in other curricular areas, K-12?

It was determined that a comparative analysis of content and approach would help in establishing guidelines for local districts. This would assist local districts, answer questions about focus, content, and methodology. To provide this assistance, the following tasks were completed:

- Terminology was defined, establishing a common frame of reference.
- National, state, and local curriculum guidelines were reviewed, and concepts for consumer education, economics, and their interface were identified.
- A conceptual model to assist in clarifying similarities and differences in content and focus was developed.
- Review and reaction to the model by local districts was completed.

From the review of existing literature three documents were selected for use in the development of Oregon's guidelines. These included: *Part I, A Framework for Teaching Economics: Basic Concepts* (Hansen *et al*); *Consumer and Economic Education (K-12): A Comparative Analysis*; and Oregon's *Personal Finance Education Guide* (1974).

Based on these documents, twelve components and their respective

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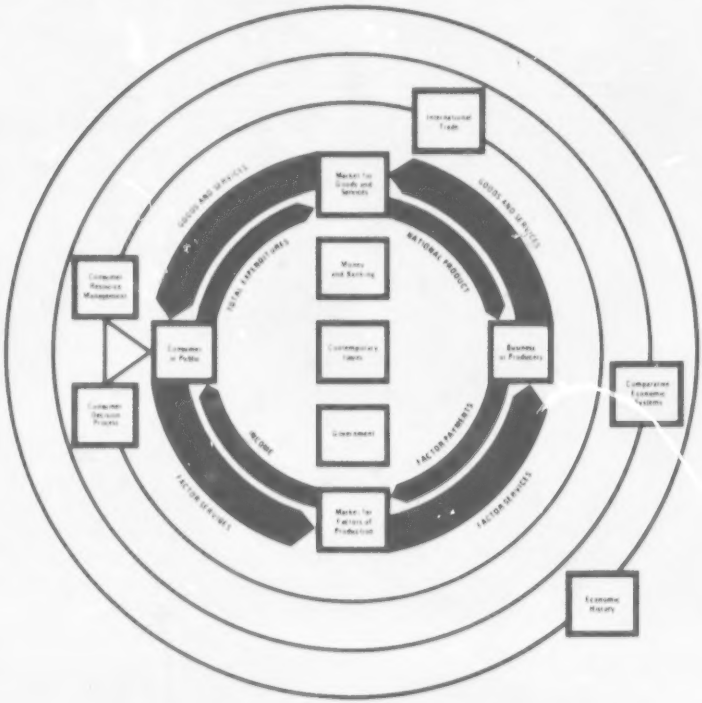
concepts were identified. (See Appendix A.) A model, similar to a circular flow diagram used in economics, was developed to show the interface.

This initial study provided the basis for defining consumer education and economic education and the interface between both curricular areas in Oregon. It identified differences and similarities in program content and in teaching approach and focus. Consumer education was to emphasize the individual's application or skill and move toward an overall understanding of the role of the consumer in our economy. Economics was to provide a broader understanding of abstract economic concepts and consider the consumer role as only one aspect of the larger picture. The importance of the study was not to isolate components of instruction, but to establish a framework by which teachers, curriculum developers, and administrators could plan curriculum to meet needs, interests, and abilities of students, K-12.

Up to this point, primary emphasis centered on consumer education. Recognizing that interface between these two curricular areas



Concepts on the left side of the model are those considered primarily within consumer education. Conversely, those on the right side depict concepts primarily delt with in the study of economics. In the center of the model, five concept areas are displayed which are components of both consumer education and economics – the interface.

would be limited unless both were clearly defined, further research was undertaken to establish a curriculum taxonomy for economics, K-12.

The economics taxonomy was reviewed and revised, considering objectivity, accuracy, and adequacy. Consumer education guidelines were modified to reflect the interface with economics. The final step in this developmental process was to analyze the curriculum content of economics and consumer education and chart their interface, first from the perspective of the consumer educator and then from the perspective of the economic educator. (See Appendices B and C.)

CONCLUSION

Based on Oregon's experience, the authors feel that *Consumer and Economic Education (K-12): A Comparative Analysis* has value, in spite of its flaws, as a guide for interfacing these two curricular areas. If the potential of the model is to be realized, however, further refinement is necessary. Refinements should include:

- Agreement on terminology and definitions.
- Agreement on what constitutes consumer education, K-12.
- A broadly based review of the model by professionals, including practicing classroom teachers.
- A willingness to modify the model based on field experience.
- A dissemination system which provides for national exposure and easy access to the model.

In the experience of the authors, this can be accomplished and it will enrich educational experiences for students.

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APPENDIX A PRELIMINARY COMPARATIVE ANALYSIS FOR CONSUMER AND ECONOMIC EDUCATON (K-12) IN OREGON

Consumer or Public
Resources
Psychic Income
Real Income

Consumer Decision Process
Goals
Lifestyle
Financial Planning
Scarcity*
Choice
Needs
Wants
Comparative Advantage*
Optimization*

Consumer Resource Management
Consumer Information*
Banking Services*
Credit
Savings
Investment
Taxes
Employment
Goods and Services
Record Keeping

Market for Goods and Services
Market System
Supply and Demand*
Scarcity*
Prices*
Market Structure
Rights and Responsibilities
Consumer Problems
Fraudulent and Deceptive Practices
Consumer Assistance*

Market for Factors of Production
Supply and Demand*
Scarcity*
Prices*
Land—Rent
Labor—Wages
Capital—Interest
Specialization*
Division of Labor*

Business or Producers
Profits
Competition
Business Organization
Specialization*
Division of Labor*
Comparative Advantage*
Economies of Scale
Monopoly
Optimization*
Technological Change
Market Levels
Advertising

APPENDIX A (Continued)

Money and Banking
Central Bank
Monetary Policy
Money Supply
Banking Services*
Interest

Contemporary Issues
Economic Growth*
Economic Development*
Diseconomies
Unemployment
Inflation
Government Regulation
Technology and Labor
Energy

Government
Fiscal Policy
Public Goods and Services
Aggregate Supply and Demand*
Economic Growth*
Economic Development*
Stabilization Policies*
Consumer Legislation
Consumer Assistance*
Consumer Information*
Regulatory Agencies

International Trade
Economic Development*
Economic Growth*
Comparative Advantage*
Balance of Payments
Balance of Trade
Tariffs
Cartels
International Monetary Systems
Economic Unions
Interdependence

Comparative Economic Systems
Economic Growth*
Economic Development*
Economic Incentives
Specialization*
Division of Labor*
Government Intervention
Aggregate Supply and Demand*
Allocation of Resources
Stabilization Policies*

Economic History
All economic concepts as they apply over time to all economic systems.

*Indicates subconcepts identified in more than one concept area.

APPENDIX B MATRIX SHOWING THE INTERFACE OF ECONOMIC EDUCATION CONCEPTS INTO CONSUMER EDUCATION CURRICULUM IN OREGON (K-12)

Consumer Education Curriculum*	Economic Concepts				
	Economic Foundations	Economic Systems	Resource Allocation & Income Distribution	Economic Stability & Growth	Tools of Analysis
EMPLOYMENT AND INCOME					
Employment Opportunities	O			O	X
Obtaining a Job	O				O
Meeting Responsibilities for Job Success		O		O	X
Employment Organizations		O			O
Employment Laws—Federal and State	O				O
MONEY MANAGEMENT					
Financial Security and Employment	O	X	X		X
Financial Planning	X	X	X		X
Banking Services and Financial Records			O		X
Savings			O	X	X
Investments			O	X	X
Insurance			O		X
Legal Documents					O
Taxation			X	O	X

APPENDIX B (Continued)

Consumer Education Curriculum*	Economic Concepts				
	Economic Foundations	Economic Systems	Resource Allocation & Income Distribution	Economic Stability & Growth	Tools of Analysis
CREDIT					
Credit Availability and Use				O	X
Credit Selection				O	X
Credit Problems					O
Consumer Credit Laws					O
PURCHASE OF GOODS AND SERVICES					
Factors Affecting Consumer Purchases	X	X	X	O	X
The Role of Advertising			O		X
Guidelines for Shoppers	X	O	O		X
Making Specific Purchases	O		X		X
RIGHTS AND RESPONSIBILITIES IN THE MARKETPLACE					
The Consumer and the U.S. Economic System	O	X	X	O	X
Rights and Responsibilities of Consumers/Sellers	X	X	X		X
Fraudulent and Deceptive Practices					O
Sources of Consumer Assistance			O	X	O
Consumer Protection Legislation		X		O	O

O--Indicates *minor* degree of emphasis or coverage.
X—Indicates *major* degree of emphasis or coverage.
*The listing of consumer education concepts below reflects the existing curriculum guidelines in Oregon (Oregon Department of Education, 1974).

APPENDIX C MATRIX SHOWING THE INTERFACE OF CONSUMER EDUCATION CONCEPTS INTO ECONOMIC EDUCATION CURRICULUM IN OREGON (K-12)

Economic Education Curriculum*	Consumer Education Concepts				
	Employment and Income	Money Management	Credit	Purchase of Goods and Services	Rights and Responsibilities in the Market Place
ECONOMIC FOUNDATIONS					
Economic Wants and Needs	O	X		X	O
Productive Resources	X				O
Scarcity	O	X	O	X	O
Choice		X		X	O
Trade-Offs and Opportunity Cost		X		X	O
Price and Markets		O		X	X
Marginalism		O		X	
ECONOMIC SYSTEMS					
Nature and Types of Economic Systems				O	X
Economic Incentives	X	X		X	X
Division of Labor and Specialization	X			O	O
Interdependence		O		X	X
Exchange		O		X	O
Comparative Advantage	O	O		O	O
Institutions	O			O	X

APPENDIX C (Continued)

Economic Education Curriculum*	Consumer Education Concepts				
	Employment and Income	Money Management	Credit	Purchase of Goods and Services	Rights and Responsibilities in the Market Place
RESOURCE ALLOCATION AND INCOME DISTRIBUTION					
The Market System				X	X
Supply and Demand		X	O	X	O
The Price System		X	X	X	O
Income Distribution	X	X	O	O	O
Government Income Redistribution		X			X
ECONOMIC STABILITY AND GROWTH					
Aggregate Supply and Demand	O				O
Savings and Investment		X	X		
Monetary Policy		O	X		
Fiscal Policy	O	X	O		O
Economic Growth and Productivity		O	O		O
TOOLS OF ECONOMIC ANALYSIS					
Measurement Concepts		X	X	O	
Evaluation Concepts	X	X	O	X	O

O—Indicates *minor* degree of emphasis or coverage.
X—Indicates *major* degree of emphasis or coverage.
*The listing of economic education concepts below reflects the curriculum guidelines currently under development.

Chapter 5 Analysis of Content in Two Units: Credit and Transportation

Response – *Lewis Mandell*

Response – *Lillian H. Mohr*

Response – *Herbert M. Jelley*

A Response to "Analysis of Content in Two Units: Credit and Transportation"

Lewis Mandell

INTRODUCTION

Credit and transportation, two key areas of consumer economics, are both complementary and of particular relevance to younger consumers. An automobile is the first major purchase that most will make, and their initial involvement with credit is likely to emerge from this transaction.

In preparing this paper, the author examined a total of fourteen books, chosen to be representative of the various approaches used in consumer education during the past decade. The books represent a wide spectrum of approaches, ranging from fairly hard-core consumer economics books through personal and consumer finance books to Jane Bryant Quinn's *Everyone's Money Book* (1979).

It is difficult to specify precisely what content should be covered in sections on credit and transportation since concepts important to consumer understanding of each may also be important to other topics and may be covered in other chapters. For example, an understanding of automobile insurance is critical for the owner or prospective owner of an automobile. However, this content is likely to be covered in a separate section on insurance, since the principles involved in its purchase are more closely related to other types of insurance than to the purchase of an automobile.

The approach of this paper will be first to outline the coverage of transportation and credit found in a sample of books written during the

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past decade, then to delineate the concepts that the average consumer must understand in order to function in the market place, and last to specify the economic concepts that are applicable in the analysis of these units.

CREDIT

Credit is generally considered to be one of the most important topics in the area of consumer economics and personal finance. Of the fourteen books reviewed for this paper, all but one had at least a full chapter devoted to credit. The exception was the Wish, Steely, and Tritten book, *The Consumer* (1978), which devoted only ten pages of a chapter, entitled "Product and Service Consequences," to the area of credit. A second book, by Troelstrup and Hall (1978), devotes most of its chapter entitled "Savings, Consumer Credit and Borrowing" to the subject of credit.

At the other extreme, several of the books had more than one chapter on credit. Unger and Wolf (1973) had two chapters, entitled "The Use of Consumer Credit" and "Shopping for Money." Quinn's book had three chapters, "Where to Borrow Money," "Buying on Credit," and "Credit: Your Rights and What Can Go Wrong." Cohen and Hanson had two chapters, "Charge Accounts, Credit Cards and the Installment Plan" and "Obtaining a Loan." Bailard, Beihl, and Kaiser also had two chapters, "Borrowing and Banking" and "Borrowing: Consumer Credit." Gitman had two chapters, "Borrowing on Open Account: Credit Cards and Bank Cards," and "Consumer Loans: Single Payment, Installment and Mortgage."

Content

Content that is covered in a chapter or chapters on credit can be classified into four major areas: introductory materials, benefits and costs of consumer debt, shopping for credit, and consumer protection.

Introductory Materials

Most chapters on consumer debt began by setting the environment of consumer debt. More than half of the books reviewed talked about the growth and magnitude of consumer debt. About half had material on who has debt, pointing out the relationship between debt and income as well as between debt and consumer life cycle. Three of the books discussed attitudes toward debt and the changing attitude of consumers over the years.

Benefits and Costs of Consumer Debt

While nearly all of the books discussed elements of benefits and costs of consumer debt, only about half presented this within a cost-

benefit framework. Under "benefits," some books discussed the use of debt to acquire capital assets that could save money for the family. Such an approach was taken by Mandell (1981), Miller (1978), Mittra (1977), and Unger and Wolf. Two of the books, Mandell and Miller, discussed the life cycle view of borrowing which recognizes the need for borrowing during certain deficit periods of the life cycle and the ability to repay during surplus periods.

Two books, Miller and Quinn, commented on the possible benefits from the use of credit during an inflationary period. At least three of the books mentioned the tax savings due to the deduction of interest, although several other books mentioned this benefit in other chapters, particularly those concerned with income tax. A variety of other benefits of consumer credit was mentioned by the books, including the ability to get immediate utility from objects which are purchased on credit.

Material on cost can be categorized as "social costs" or "personal costs." Relatively little space was spent on the social cost of consumer credit. Three books, including Unger and Wolf; Bailard, Beihl, and Kaiser (1980); and Gitman (1978) discussed the impact that consumer credit has on inflation. Material under personal costs included a consideration of interest, the necessary budget commitment, the risk, and costs of insolvency, and the question of whether purchasers on credit must pay more for the goods purchased.

While virtually all of the books stressed the fact that interest costs may be substantial, some actually gave examples of the total dollar cost of purchasing goods for cash and on credit. A few of the books even gave tables showing the difference in total amount paid with loans of varying interest rates and maturity.

Another cost of consumer debt is the necessary budget commitment and concomitant lack of flexibility. This was alluded to in several books in a discussion of debt difficulties and was discussed explicitly in Mandell.

Several of the books, including Cohen and Hanson (1972); Bailard, Beihl, and Kaiser; and Quinn attempted to ascertain how much debt is too much. Most books recognized that persons who overcommit themselves risk insolvency, and six of the books talked about the merits of credit counselors to aid families in distressed circumstances.

A last possible cost of consumer debt is that individuals using such debt may be forced to pay more for the products that they purchase. This was covered in some detail by Troelstrup and Hall and briefly mentioned in several other books.

Shopping for Credit

In most books, the greatest amount of space related to consumer credit was taken up by the topic of shopping for credit. Nine of the fourteen books stressed the importance of the annual percentage rate to the extent of showing how such a rate is calculated. Virtually all of the books stressed the necessity of using the rate for comparing loans.

In shopping for credit, nearly all of the books discuss the fact that

rates vary among lenders, but only a few covered the determination of the rates as a function of their components. Such components include the cost of money to the lender, the administrative costs, the risk of loss, and profit. Two of the books went into an evaluation of the risk of the borrower and referred to the three "C's" of credit, while one book discussed the value of having co-signers for the loan. Nearly all of the books included the credit investigation, credit bureaus, and the rights of the consumer under the Fair Credit Reporting Act.

As mentioned above, virtually all books covered the types of lenders and the magnitude of rates generally associated with each. Among the type of lenders generally mentioned for installment debt were banks, savings banks, credit unions, and finance companies. About half of the chapters mentioned the benefits of borrowing on life insurance, while two discussed education loans.

Virtually all of the books discussed the various types of consumer credit, including installment credit and revolving credit, with particular emphasis paid to credit cards. Three of the books discussed the topic of billing methods on credit cards, and at least one book mentioned overdraft credit. In addition, three books discussed the insurance that is available for protection of loss on credit cards, and many referred to the $50.00 limitation per card.

Features of installment contracts were covered in many of the books. Among the features most commonly mentioned were prepayment of a loan and the Rule of 78. A few of the books referred to credit life insurance, while others had coverage of that topic under their insurance chapters. Quinn's book, which was more up to date than most, had a discussion of refinancing homes in order to obtain additional funds. At least one book, Gitman, covered mortgages in the chapter on credit, but most other books discuss mortgages in the chapters on housing.

Consumer Protection

It is difficult to discuss consumer credit without referring to the plethora of recent laws governing its use. Virtually every book referred to the Truth-in-Lending Law as well as to the modification of Regulation Z of the Federal Reserve Board specifying fair credit billing procedures. In a connected area, most of the books also discuss usury laws in various states, but only a fraction of those discuss the pros and cons of such laws. Only two of the books referred to the Uniform Consumer Credit Code that regulates interest rates on selected types of consumer credit in most states.

Five of the books discussed the holder in due course doctrine although the importance of that concept has been diminished by Federal Trade Commission rulings in recent years. As noted earlier, nearly all of the chapters covered the Fair Credit Reporting Act and consumer rights under that act.

At least three of the books discussed discrimination in credit and remedies under the law. Several other books saved this discussion for a chapter on discrimination, *per se*.

The legal implications of insolvency due to debt were covered by about half of the books. A few discussed the Fair Debt collection Practice Act, some discussed the state laws governing the garnishment of wages, and most covered laws regarding personal bankruptcy and debt reorganization.

Important Concepts in Credit

There are a few concepts in credit which are of critical importance for the average consumer. These include the consumer's personal benefits and costs associated with the use of credit, the factors to consider in shopping for credit, and a few key elements of consumer protection. The critical elements of credit are delineated below:

1. **Benefits and costs** Credit offers the consumer certain benefits but has substantial costs associated with it. The benefits include the ability to purchase needed capital goods, the ability to smooth income and expenditures over the life cycle, and possible tax benefits. On the cost side, mention should be made of the high cost of interest, the budget commitment, and the risk and attendant cost of insolvency.

2. **Shopping for credit** Content that must be covered would include the necessity of using the annual percent rate, although not necessarily the precise means of calculating it, the different rates charged by different types of lenders, and the ability to repay and costs of prepayment. Also included should be the difference between installment and revolving credit, the cost and use of credit cards, credit risk and its impact upon credit costs, the credit investigation, and consumer rights if a negative credit report is filed.

3. **Consumer protection and the area of credit** Only a portion of materials related to legal protection is of critical importance to the consumer in making decisions. If the consumer understands the importance of finding out the annual percent rate of interest in shopping for credit, knowledge of the terms of the Truth-in-Lending Law is not important. However, those portions of Regulation Z referring to the rights of the consumer in a dispute with a credit card company *are* important for the consumer to know, since such disputes are commonplace. A general understanding of rights under the Fair Credit Reporting Act is important, as well as some knowledge of practices prohibited under the Fair Debt Collection Practices Act. Consumers should also understand some of the elementary provisions of the personal bankruptcy laws, as well as laws affecting the garnishment of wages and the pros and cons of having their debt restructured.

Applicable Economic Concepts

A number of economics concepts are important in a full coverage of consumer credit, although a more limited understanding is necessary to function efficiently in the market place.

Macro concepts in economics are important if the reader is viewed as a voter and policy maker as well as a consumer. Among the important macro concepts in credit are the impact of credit on consumption and inflation, as well as the impact of diverting credit from capital formation to consumption through allocation to consumer credit. Another macro concept concerns restriction of credit flows through usury laws and the costs and benefits of such laws to society.

On the micro side, an important concept is benefit-cost analysis and its application to the use of credit. A proper understanding of this would involve an understanding of the marginal efficiency of capital and the capital purchase decision. Another important economic concept involves an understanding of income and needs over the typical family life cycle. In evaluating the cost of credit, it is critical to understand the annual percent rate of interest and its relationship to dollar cost. It is also important to understand the concept of discretionary income when discussing the lack of budget flexibility and the increased risk of insolvency due to credit.

A consumer can best shop for credit if he or she conceptualizes the structure of the credit market with attendant specialization by various types of lenders. In order to do this, it is necessary to understand the costs associated with the granting of credit, including the cost of money, the cost of administration, the profit structure in consumer credit markets, and most importantly, the cost associated with various types of risk. An understanding of risk and expected loss is needed in order to get a grasp on this subject. Finally, in discussing the higher costs of revolving credit, it is necessary to understand the difference in administrative costs associated with installment credit and revolving credit.

TRANSPORTATION

Content Analysis

Of the fourteen books reviewed, only six had full chapters devoted to transportation; three others had chapters devoted jointly to transportation and other major durables.

Because of the prevalence of the private automobile as the primary means of transportation for most Americans, chapters relating to transportation tended to devote most or all of their space to a consideration of the automobile. Several of the chapters spoke of public transportation in relation to the automobile and some also discussed the social costs of automobiles. A few of the chapters covered other types of transportation such as buses, railroads, and airlines, while a few books, most notably Miller, dealt with non-automobile transportation in a section on "travel."

The Automobile

Two of the books discussed patterns of automobile ownership and use. Three of the books, including Mandell, Ward and Niendorf (1978),

and Miller, had discussions on the social costs of the automobile, including materials on pollution, depletion of resources, and the effect of the automobile as a deterrent to mass transportation. Troelstrup and Hall discussed the automobile as a status symbol and use of automobiles, the latter a particularly appropriate subject if used with a younger group.

The books varied in their coverage of calculating the cost of owning and operating an automobile. Intensive coverage was found in Troelstrup and Hall, Mandell, and Ward and Niendorf. Generally considered were fixed versus variable costs of automobile use, depreciation, the cost savings of high-mileage automobiles, American versus foreign automobiles, and trading in an automobile. Several of the books included a discussion of the credit purchase of automobiles as part of these costs of ownership.

Several of the books gave detailed consideration to the purchase of new and used automobiles, including shopping techniques, bargaining, warranties, and inspection in their chapters on transportation, while other books covered this content in other chapters. Several of the books went into shopping for repairs, choosing a good mechanic, and proper maintenance of the automobile. Four books considered the decision to rent or lease an automobile, and two discussed the safety considerations of automobiles.

Other Types of Transportation

Two of the books gave fairly extensive coverage to other means of transportation. These included railroads, buses, and airlines. In the discussion of airlines, attention was given to rate deregulation and its impact on prices, as well as to consumer rights and protection under various CAB statutes. At least one other book had coverage of these topics in a chapter on travel.

Concepts that Must Be Understood by the Average Consumer

There are a few important concepts that must be understood by the average consumer in order to structure expenditures on transportation. These concepts are as follows:

1. **Expenditures** The average American family spends more on transportation than on anything else except food and housing, and most of what is spent on transportation is used for the private automobile.

2. **High Cost** The cost of owning an automobile may be higher than most consumers realize because a lot of the costs are implicit or hidden. Such implicit costs include depreciation, opportunity costs on the investment, and periodic repairs.

3. **Depreciation** In considering whether to trade in a car or to purchase a new or a used car, the consumer must be aware of the relatively rapid depreciation on most new cars during their first several years of ownership. This depreciation increases the total cost of ownership significantly.

4. Shopping In shopping for a car, the consumer should be aware that bargaining is an accepted means of price determination, and that different makes of cars have different warranty arrangements.

5. Insurance Consumers must be aware of the various types of automobile insurance, the costs and benefits of each, and the options for coverage. In most consumer-oriented books, this topic is covered under the heading of insurance rather than transportation.

6. Non-automotive transportation The consumer should be aware of the costs and benefits of utilizing means of transportation other than the automobile, including local mass transportation and long distance transportation by bus, railroad, and airplane. The consumer should also be aware of the rate structure of airplanes, the opportunities to save a substantial portion of the price by taking advantage of economy fares and packages, and the consumer's rights if denied boarding.

Economic Concepts in Transportation

As in the case of credit, the economic concepts associated with transportation can be related to both macro or social concepts and micro or private considerations. Under the heading of macro concepts, the consumer must understand the importance of transportation and the automobile in the American economy, energy needs and the outlook for energy, the environmental effect of the automobile, and the deterrent to mass transportation represented by the automobile.

Micro concepts include an understanding of consumer capital and the ability to determine the cost and benefits of investment in consumer capital. Implicit in the concept of consumer capital is an understanding of the opportunity cost of money, the cost of borrowed funds, and the marginal efficiency of capital.

The consumer must know the difference between fixed and variable costs in order to be able to calculate his or her expected annual cost of operating the automobile. The consumer should also understand the structure and regulation of the oil industry and the likely future behavior of gasoline prices. This will enable him or her to calculate the costs and benefits associated with fuel efficient automobiles.

In order to understand nonautomotive transportation, the consumer should be aware of the structure of American mass transportation, including regulation by the federal government. This implies an understanding of the concept of regulated monopoly.

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A Response to "Analysis of Content in Two Units: Credit and Transportation"

Lillian H. Mohr

The "buy now, pay later" mode of functioning in a money world is based on credit. In the decades since World War II, credit has become so pervasive that any person or family without access to it is considered poor indeed. That the subject of credit should be followed by a section on transportation is not simply fortuitous. Automobiles are the second most costly item purchased by most people using credit, and the major single product category that relies on short-term credit.

The following will treat credit first, with emphasis on short-term debt, and then go on to transportation as an item becoming increasingly significant in individual and family budgets.

CREDIT

Content in Current Texts

The great majority of textbooks on personal finance have a separate chapter on the subject of credit; a couple have two (Wolf, 1978; Jelley and Herrman, 1973). Notable exceptions are the Troelstrup and Hall book, *The Consumer in American Society* (1978), which combines credit in a chapter that first covers savings and then concludes with a section on borrowing money. Here personal saving is viewed as an alternative source of credit. On the other hand, Roger Leroy Miller (1978) combines savings with investments, focusing on the abstention from consumption

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associated with savings; he ties in banking regulations, NOW accounts, and EFTS as a conclusion to the credit chapter. Borrowing and banking are combined in the Bailard, Beihl, and Kaiser book (1980).

The subject of credit in the old Cohen and Hanson *Personal Finance* textbooks, followed banking services, which invariably followed the subject of budgeting (most recent edition, 1975). Many old-timers in the field got basic training from these texts. Harold A. Wolf's *Personal Finance*, Fifth Edition (1978), continues with the traditional sequence: budgeting, banking, and borrowing, with a chapter on consumerism between. Sylvia Porter's *New Money Book for the 80's* goes through 900 pages of buymanship and money management advice before Chapter 16, on borrowing cash and using credit (1979). Other texts tend to include credit sections relating to budgeting and banking as opposed to protection and security sytems.

Objectives and Justification

Teachers' lesson plans frequently begin with a statement of objectives for the unit, so it might be expected that textbooks would follow suit. DeSalvo (1977) and Wolf both do this, as well as do most outlined curriculum guides. Most textbook authors, however, generally eschew stating the understandings that students will gain, and plunge into the subject matter. This is achieved in some cases by asking questions and then answering them. In others, writers sensitive to Shakespeare's admonition, "Neither a borrower nor a lender be," introduce the advantages and disadvantages of credit, and when the use of credit is proper and when dangerous, augmented with reference to its extensive use by many Americans. This reviewer introduces credit by comparing government borrowing with private borrowing, noting the differences in terms of a "balanced budget."

Daniel A. McGowan's *Consumer Economics* (1978) is singular in that it first discusses money as a medium of exchange, then indicates how credit serves as a "double-staged exchange," a concept students comprehend with difficulty unless they are familiar with automobile dealers or real estate salespersons, for example, whose livelihood reflects the fact that the credit component of the transaction is crucial to is consummation.

In approximately 20 recent textbooks reviewed, only a few distinguish between long-term and short-term credit. The majority deal with the latter and leave the home buying unit to cover mortgages, the major form of long-term credit of concern to consumers.[1] The deficiency is that students may not see that one's ability to get long-term credit is closely related to the credit rating established on a short-term basis.

Most texts provide a profile of credit users or relate credit use to stages in the family life cycle, and explain the phenomenal rise in the use of credit since World War II in terms of changing life styles and the great expectations fostered by a relatively affluent society. Milton Friedman's permanent-income hypothesis would complement the more pervasive sociological analysis.

One salient fact stands out clearly in all of the texts, ". . . credit costs money." Therefore, students are admonished to determine not only if they can pay back the amount borrowed, but also the interest and other charges. Allentuck and Bivens, in *Consumer Choice* (1977), introduce the concept of opportunity cost as a means of determining whether immediate possession of a good is worth the extra cost of credit entailed. Opportunity cost, of course, pertains to any financial decision, including that of career choice, so one might hope to find this concept considered whenever financial decisions have to be made. However, none of the recently written books expound on Say's "law of markets," which analyzes the impact of the rate of interest on demand for capital goods and the supply of savings, as did David Hamilton's *The Consumer in Our Economy* (1961) in a section on national income. Knowledge of how the Federal Reserve's ever-changing monetary policy affects the money supply seems crucial to an understanding of credit availability and interest rates.

Why Consumers Borrow

No one textbook included all of the reasons for individual and family borrowing. With reference to changing lifestyles, a major justification for using credit is the high cost of durables, most significantly the automobile, but also of appliances and home improvement. Financial emergencies, another reason, include those caused by illness, unemployment, and overextension of credit requiring consolidation of loans. On a daily basis, credit means that people can avoid carrying cash, and it provides a convenient form of payment and a systematic method of record-keeping.

A few texts note that credit could mean paying over time with progressively cheaper money, as inflation continues its inexorable pace. However, those do caution that interest rates tend to take inflation into consideration. Only a couple mention the use of credit as an investment in the future, such as educational loans to advance a person's career. Using credit for purposes of speculation and business investment also appears only in a couple of books.

Benefits and Dangers to Consumers and Society

Apparently the significance of credit to the general public and the economy is not deemed crucial to students learning how to use credit, judging by the minimal treatment of this subject in the personal finance texts. Even in Wolf, the explanation of the Federal Reserve's concern over economic instability caused by consumers' use of credit barely touches on the problem. Today, with tremendous concern over double-digit inflation and the consumers' contribution to the problem, it would seem justifiable to make large numbers of consumers aware of their contribution to the problem through profligate spending. In terms of aggregate behavior, most books do point out that the costs of credit are passed on to consumers both directly as finance charges, and indirectly

in the price of goods and services. In effect, they are presenting the TINSTAAFL concept—"There is no such thing as a free lunch."

The Classification of Consumer Credit

It is always sound to define terms somewhere along the line, and usually a general discussion of credit is followed by delineation of the types of credit. The major distinctions are between sales credit and loan credit (borrowing money), and between installment and non-installment credit. Only one text brings up amortization, a topic generally associated with home mortgages.

The installment credit section covers loans for automobiles, other durable consumer goods, home improvement, and mobile homes. Personal loans for cash and revolving credit accounts are also classified as installment credit. Layaway appears infrequently.

Noninstallment or single-payment credit covers service credit (billing by professionals such as doctors, lawyers) and charge accounts.

Both Troelstrup and Porter explain the open-line of credit, which may be either installment or noninstallment, though the former is more frequent. Porter covers the tuition loan specialists, which provide an extended postponement period before installment payments commence.

How to Get Credit

From the students' viewpoint, the substance begins here. About half of the texts explain the three C's of credit: character, capability, and capacity. All discuss the importance of getting and keeping a good credit rating to get continued credit. To young people, the major question so often is how to start getting credit. Filling out the credit application appears to be the answer in a couple of texts, but students find they are rejected because they have no credit history, and are denied the opportunity to establish themselves as trustworthy credit-users.

The importance of the credit bureau's report receives coverage in virtually all the books. One serious omission is failing to note that a bank's checking services becomes part of the credit bureau's report if checks have been written against insufficent funds. In addition, some employers, including the federal government, may check credit bureau reports before considering an applicant for employment. This makes the report more important than if it only pertained to one's ability to get future credit.

To many authors this section is the logical location for the relatively recent legislation protecting the consumer, namely, Truth-in-Lending, Equal Credit Opportunity, Fair Credit Reporting, and the Fair Credit Billing Act. Only textbooks published within the last two years or so cover all four laws.

One would guess that the discount for cash is a regional matter; authors living where cash discounts are not proferred omit it. Generally in connection with the laws mentioned above, the plastic charge card is discussed with emphasis on handling loss or theft, and computer errors.

Sources of Credit

Reflecting on the encyclopedic nature of Sylvia Porter's most recent *Money Book* (1979) is the fact that it alone systematically treats family, friends, and employers as sources of funds. (She also takes in stockbrokers, which textbooks cover under buying stocks on margin.) For many people, these are a primary source of funds. As lending resources, they stand alone in not impacting one's credit history and, as Porter notes, usually collect no interest charges. Most people need little instruction on using family and friends as a source of funds. Some cautions, however, are appropriate in connection with borrowing or co-signing for or lending to friends and employers.

The sources of credit universally considered are commercial banks, sales finance companies, consumer finance companies, credit unions, credit card companies, and retail stores. Some texts exclude savings banks and savings and loan associations. Most make no reference to insurance companies, and it can be assumed that these loans, either for home mortgages or cash borrowing against the person's whole life policies are covered in other appropriate sections. That also applies to second mortgages, covered only in Porter and in Bailard, Beihl, and Kaiser. Both of these volumes also include educational loans; Porter has a separate chapter on the subject.

The Cost of Credit

For a number of reasons, the cost of borrowing, whether for purchases or for cash, varies greatly, depending on a variety of factors. Those mentioned most frequently are the cash price, the amount of down payment, the amount financed, the time allowed for repayment, collateral requirements, going interest rates, and usury laws. McGowan also includes the purpose of the loan as well as type of loan. Only a few texts cover trade-ins, price packing, and dealer participation, and the additional costs of credit life insurance and other charges, such as investigation fees.

Although under the Truth-in-Lending Law it should be superfluous, the majority of texts continue to give examples of the constant ratio method of interest computation, without necessarily identifying the mathematical formulations by that name. The Annual Percentage Rate (APR) is the key concept, and the only problem is that the actual dollar cost receives little attention. Because automobile purchasers stress the size of monthly payments and little else, the emphasis on APR in the texts may well be warranted. A number do note that buyers should consider total costs in their decision making.

Somewhat less than half the chapters go over the various methods of computing interest on revolving credit. Previous balance, average daily balance and adjusted balance methods are identified, but the past due balance appears less frequently.

The Credit Contract

Not all books make the distinction between charge account purchases and the conditional sales contract in which title remains with the seller until the last payment is made. Few consumers realize that they legally cannot remove an automobile or other goods purchased on installment contracts from the state without notifying the seller. Jelley and Herrmann cover the conditional sales contract in some detail, as do Phillips and Lane (1980). The latter also mention chattel mortgages, a term found in many old editions of Cohen and Hanson but as rare as bailment leases elsewhere.

The sales contract contains other components besides the legally required Annual Percentage Rate and dollar cost. Some authors alert students to the prepayment provisions and the Rule of 78, the acceleration clause, the add-on contract, the wage assignment clause, and the balloon contract. Rare is the mention of "waiver of defense" or "confession of judgment" statements that can be the downfall of those who decide to hold back on payments because of faulty merchandise or service. Phillips and Lane note the danger of co-signer agreements, and Allentuck and Bivens give consideration to repossession of goods, but deficiency judgments get short shrift in all of the literature. The recent legislation on the "holder-in-due-course" doctrine, so long a major consumer issue, gets wide coverage.

And What About the Over-Extended?

Less than half the texts offer suggestions for those people who cannot pay their bills when due. Those that do emphasize the importance of contacting the creditor and making appropriate arrangements. Personal bankruptcy is treated as a statistic from which the consumer reading the text is immune. Except in DeSalvo text, wage-earner plans get minimal mention. Both of these require the aid of an attorney, or financial counselor.

General Topics

Certain topics pertain to every aspect of financial management. Opportunity cost appears in one textbook in the credit section. Instructors need to reinforce this concept in connection with most money management topics covered. Other pervasive considerations are inflation, stagflation, and business cycles; the necessity of record-keeping for tax, insurance, and complaint-handling purposes; the business cost of bookkeeping making small transactions virtually unprofitable, one of the reasons why it is so expensive to be poor; the special problems of women and minorities. Most authors take an umbrella approach to consumer economics, protection, economic principles, and the consumer movement, in an introductory or concluding chapter. This approach is sound if the instructor reinforces the concepts that are applicable to specific subjects.

TRANSPORTATION

Hardly a decade ago, transportation appeared in personal finance textbooks about as frequently as chapters on real estate as an investment. Back then transportation did not constitute the proportion of the individual or family budget that it does today.

The private automobiles as a principal means of transportation got its impetus with the exodus to the suburbs that took place some years after World War II, and as families grew and family members had a need for mobility, the number of two- and three-car families increased beyond expectations. More recently, the high cost of automobiles and gasoline is bringing public transportation into the fore again. However, the only book that treats both topics generously is the Sylvia Porter volume; chapter seven is 140 pages long, even omitting parachutes, pogo sticks, roller and ice skates, showshoes, and cross-country snow skis.

Content and Sequence in Current Texts

Approximately three-quarters of the textbooks on personal finance include a section or chapter on automobile buying. About one-quarter of these cover other forms of transportation such as air travel. Only Fetterman (1976) includes legs for walking and, like Porter, motorcycles. Maedke *et al.* (1979) includes recreational vehicles, and mopeds get a mention in some texts.

By coincidence, transportation most frequently appears as the seventh chapter in textbooks reviewed. The subject precedes or follows chapters on appliances, nondurables, or home buying, thereby constituting a "buymanship component" in personal finance textbooks.

Objectives of the unit of study are not explicitly stated. The majority focus on considerations relating to the acquisition and maintenance of an automobile. Notable among the exceptions, Allentuck and Bivens look at the potential for misuse of resources and the political reasons for the lack of a national transportation policy. Also singular in their text, private cost of ownership gets less treatment than do opportunity, environmental, and social and economic costs. The Bailard, Beihl, and Kaiser book includes the effect of the automobile in a chapter on "big ticket items" in a text that otherwise excludes consumerism and buymanship. Food, the second largest budget item, is not included, although the same rationale pertains.

Why Automobiles?

Transportation is a matter of getting from here to there in the fastest and most convenient, comfortable, or enjoyable way at reasonable cost. Automobiles have long satisfied those requirements in additional to filling certain social and psychological needs.

None of the textbooks discuss the "legal right" to drive or the importance of a driver's license as a means of identification for credit purposes.

Those unable to pass a driver's test for physical reasons (particularly the aged), or whose licenses have been revoked because of excessive traffic violations, find themselves as handicapped as are the disabled.

The popularity of auto travel has had a causal relationship on the demise of public transportation in many areas, to the point that alternative transportation is virtually unobtainable. In these areas mobility is completely dependent on access to the privately-owned vehicle.

Automobiles are not without their problems, however. Garman and Eckert (1979) note that they are the subject of more consumer complaints than any other consumer service or product. The initial price, financing, insuring, parking, maintenance, licensing, and deceptive practices in sales and repair constitute major problems. The texts assume that some knowledge can help consumers alleviate the difficulties. Certainly consumers need to be aware of possibilities for recourse.

The Cost of Owning and Operating an Automobile

Actual figures on mileage costs vary dramatically in the textbooks from 16 cents a mile to 75 cents a mile. Budget percentages run from 10% to 21%, depending on which costs are included. Certainly the automobile is a means of transportation more expensive than most car owners realize and for which few employers are willing to provide realistic reimbursement.

Because depreciation is a significant variable, a number of authors compare costs of new versus used cars, noting that much depends on size, make, model, repair records, and timing of purchase. Comparison shopping for car types and for dealers receives appropriate treatment, plus armchair analysis of consumer testing reports. The advantages and disadvantages of theoretical competition, competitive rivalry, product differentiation by oligopolists, lead time, industry concentration, follow-the-leader pricing practices enhance consumer understanding of the marketplace.

Automobiles differ from most consumer purchases in that costs of ownership continue throughout the life of the vehicle. Troelstrup and Hall number among the authors distinguishing between fixed and variable costs. Ward and Neindorf (1978), and Lang and Gillespie (1977), include in the latter parking and garaging, major costs in some metropolitan areas.

Gasoline mileage figures in all of the textbooks are obsolete, though a number predict today's realities. To read prices in a textbook copyrighted in 1978 that are less than half paid by motorists today makes a reader acutely aware that changes can be sudden and drastic. Few textbooks treat the subject of world markets and the American consumers' dependence on them or decisions affecting international trade made by our federal agencies. Whether the subject should be treated here depends on the curriculum. Gasoline prices can be used to illustrate the "rationing function" of prices.

Prices, Financing, and Insuring

The automobile purchaser is frequently simultaneously a seller, using his existing car as a trade-in. Used merchandise is not standardized; the "cream puff" commands a higher trade-in price than an abused "dog." Determination of value becomes a subject of negotiation. As tradespeople in foreign countries know, Americans accustomed to a one-price system are ill-equipped by experience to handle "horse-trading."

A number of texts cite the devices used by professionals in the automotive field to bring in additional revenue. Many suggest appoaches enabling consumers to compete with the professionals. They also recommend that establishing the trade-in and purchase price, the financing, and insuring the vehicle be treated as separate transactions. Comparison shopping is stressed, as well as systematic information seeking.

Whereas textbooks do not report on mark-ups or profit margins taken by banking and lending institutions, insurance companies or brokerage firms, the automobile dealer's potential gain on a transaction is treated as suspect. Possibly the sales tactics employed by automobile commission salespeople have received more publicity than have the strategies of insurance, real estate, or investment firm agents. If this evident bias has any shortcomings, it may be unwarranted complacency in connection with the others.

Lang and Gillespie and Porter, among others, attempt to answer consumers' questions as to car longevity, and when the cost of repair makes it uneconomic to retain a vehicle. Almost half of the texts compare the costs of leasing or renting with ownership costs.

What to Look For

A number of texts provide check lists useful in shopping for new and used cars, options, repair services, and, less frequently, automobile tires. Most consumers would find it difficult to remember all of the pointers without a list in hand.

Consumers need a rational economic decision-making approach when purchasing an automobile. Because of the social and psychological factors associated with car ownership, consumers are readily carried away by considerations far removed from their transportation needs and financial limitations. They are therefore as vulnerable to exploitation as purchasers of funeral services.

Safety

Miller writes of the "four-wheeled coffin" and is not alone in treating the death and injuries caused in vehicle accidents annually. In a number of texts, safety serves as a springboard for discussion of consumerists' activities such as those of Ralph Nader's, the foot-dragging of federal regulatory agencies, and the social responsibilities of car manu-

facturers and consumers. "Lemons" and recalls are also mentioned most frequently in this context.

Producers have charged that "safety doesn't sell." This suggests that consumer sovereignty may have its deficiencies in the shortsightedness of consumers unwilling to pay higher costs for quality control and safe products. The cost-benefit analysis employed by the Consumer Product Safety Commission could be introduced at this juncture.

SUMMARY AND CONCLUSIONS

What economic concepts must the average consumer understand in the marketplace? A check against the Joint Council on Economic Education publication, *A Framework for Teaching Economics: Basic Concepts* (1977), suggests that credit and transportation directly or indirectly involve virtually all of the concepts in one way or another.[2] Both topics relate specifically to economic wants, scarcity and choices, opportunity costs, and trade-offs. They involve economic systems, voluntary exchange, government intervention and regulation, markets, supply and demand, the price mechanism, profits, information costs, and externalities such as those impacting on society as a whole. Taxes apply more directly to automobile use and monetary policy to credit, but both reflect the problems of inflation.

Most textbooks and instructors cover some of the economic factors that relate to credit and transportation without necessarily labeling them economic concepts. McGowan's book (1978) is the exception, clearly resembling Paul Samuelson's economics texts, but I fear the *average* consumer would be repelled by the charts and mathematical formulas.

With so much substantive content already necessary to clarify credit and transportation for the average consumer, I fear the biggest problem is determining what can safely be omitted.

FOOTNOTES

1. Jelley and Herrmann note real estate mortgages as an exception to Truth-in-Lending.
2. Other specific economic terms and concepts noted in the foregoing are: government borrowing and "balanced budget," affluent society, permanent-income hypothesis, Say's "law of markets," demand for capital goods, money supply, monetary policy, economic instability, "no free lunch," stagflation, business cycles, resources, national transportation policy, fixed versus variable costs, theoretical competition, competitive rivalry, product differentiation, oligopolists, lead time, industry concentration, international trade, consumer sovereignty, cost-benefit analysis.

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A Response to "Analysis of Content in Two Units: Credit and Transportation"

Herbert M. Jelley

Textbooks are an important factor in determining course content in public schools. Local and state curriculum guides, when available, have various degrees of impact, and some teachers, because of experience and expertise, choose content appropriate for their students. But a case can be made that textbooks and other teaching materials determine to a large extent what happens in many classrooms. Some studies have indicated, for example, that as much as 90 percent of classroom time is devoted to the use of teaching materials by students and teachers.

The purpose here is not to pass judgment on whether or not the content provided in textbooks is appropriate or adequate. (Organizations such as the Educational Products Information Exchange Institute, a nonprofit organization that looks after the interests of consumers of educational materials, have suggested that in some cases textbooks do fall quite short.) But if textbooks are key determiners of course content, they can be used as a clue to what is being taught. Accordingly, textbooks were used to determine generally the content suggested in the two quite disparate units, credit and transportation, that constitute the subject of this paper.

Because of the professional interests of the writer, the focus here is on consumer textbooks. Is the content appropriate? Is it adequate? These questions will be considered. Finally, the paper will look at what economic understandings or concepts are applicable in these two units.

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CREDIT

In a study reported in 1979 dealing with the historical development of the content of consumer education on the secondary school level. Herrmann analyzed the space given to the coverage of various topics in a number of textbooks. About credit, Herrmann concluded that "For most of the texts examined, the space devoted to credit was one of the largest blocks of coverage given to any topic" (1979, p. 19). This conclusion corroborates the findings of Uhl in 1970. Uhl found that credit was included in 54 percent of the grade 10–12 courses (1970, p. 81).

Content Suggested in Textbooks

Five consumer education textbooks were examined for this paper (Schoenfeld and Natella 1975; Trooboff and Boyd 1975; Warmke and Wylie 1977; Warmke, Wylie, and Sellers 1977; Jelley and Herrmann 1978). Interestingly, the space devoted to credit in the books ranges from 7 to 9 percent. The subtopics covered are quite similar, although they are covered in quite different order and the amount of coverage for the topics varies considerably. The eight subtopics described briefly below are covered in the textbooks, and presumably they are given some coverage in classrooms.

1. Advantages and disadvantages of using credit. Included are discussions of the importance of credit for consumers as well as an indication of the pitfalls awaiting those who do not use credit wisely.
2. Forms of credit. Installment and noninstallment debts are explained. In addition, the coverage presents the wide variety of credit plans, such as cash-loan credit, charge accounts, and revolving credit.
3. Establishing a credit rating. Answers to these questions are given: How does one go about getting credit? How are credit reputations built?
4. Calculating the cost of credit. Figuring the true annual interest rate on installment credit is explained.
5. Sources of credit. The variety of sources of credit, including credit unions, banks, insurance companies, and retail stores are considered.
6. Credit cards. Covered are single-purpose cards, bank cards, and travel and entertainement cards.
7. Government aid. In 1975 Congress passed the Equal Credit Opportunity Act, a big help in ending discrimination against women in credit matters. Other legislation, such as Truth in Lending, is covered.
8. Overextension of credit. What should the consumer do if trouble should strike? Is debt consolidation wise? What is meant by bankruptcy? Answers to these questions are given various amounts of space in the textbooks.

Perhaps it should be no surprise that current consumer textbooks devote so much space to credit. Consumer credit is fraught with dangers

to those who do not use it wisely. Then, too, unwise use of credit is not limited to low- or middle-class consumers, as credit counselors will attest. Even persons with relatively high incomes have been known to buy so much on credit that eventually payments far exceed what they can pay from their incomes. The cornerstone of consumer education is wise money management and good buymanship. An important part of wise money management must now certainly include a healthy dose of instruction on the wise use of credit.

Concepts Important for Consumers

A careful perusal of credit coverage in secondary school textbooks reveals a fairly complete treatment of material of the "nuts and bolts" variety, as we have seen from the examination of the eight subtopics mentioned earlier. What seems to be lacking is a substantial examination of the social consequences of the misuse of credit. How is society affected when individuals or families become bankrupt because of the overextension of credit? What has happened in the past to individuals and families who have borrowed too much? What sort of unhappiness resulted from their indiscretion? What advice do these persons have for others, and especially for young persons just starting to live away from their families?

Take, for example, the coverage of credit cards. Adequate descriptions of how bank credit cards work is included in discussions ranging from a paragraph to a page or two. Students learn that banks extend the credit so the merchant does not have to take the risk of losses due to bad debts. Furthermore, the banks go through the mechanics of sending out and collecting bills. In return for this, merchants pay a discount fee to the issuing banks. Students also learn that they can avoid interest charges by paying their bank card accounts on time.

Lacking in the discussions of bank credit cards and other cards are the consequences of excessive borrowing. A good many persons do not pay their accounts on time; they choose to pay only the minimum payment. They carry the remainder forward as debt—which is what bankers really want them to do. Many people who shouldn't are piling up long-term debts by using credit cards. Those small amounts, which ought to be paid by cash, add up to crippling debts, burdening imprudent people for years. To a large extent, credit cards have replaced small loans. Where individuals were in former times dissuaded from excessive borrowing, now they make their own decisions. And these decisions are often made unwisely.

Two thoughts are important at this point. First, the possibility exists that more classroom time is devoted to the consequences of the misuse of credit than is indicated by the amount of coverage in textbooks. Second, perhaps warning young people of the pitfalls of credit can best be done by means other than textbook reading. Case studies provided by credit counseling centers can be used. Movies are available that accomplish this purpose. For example, "The Money Tree," a movie made several years

ago, dramatized a fictional story of two teenagers, recently married, who engage in so much impulse buying that within a short time their income is not adequate to meet all payments. The movie has an unhappy ending, and it forcibly makes the point that credit can be dangerous.

Missing from the textbooks are some new developments in credit, of course, but this is no doubt due to the fact that the books were written before the developments occurred. If the life of a textbook is four years (and many are no doubt used longer than that), then in its fourth year, the material in the textbook may be five years old, due to the time lag between completion of the manuscript and the publication date. The solution to this problem, of course, is for classroom teachers to gain access to up-to-date information from other sources.

Finally, it would be easy to make a list of credit topics not covered in the textbooks. The two volume set *Consumer Protection Reporting Service*, by Rothschild and Carrroll (1979), devotes at least 200 relatively small-print pages to the subject of consumer credit, as many words probably as the total words in a consumer education textbook. More coverage of such things as credit advertising and FTC regulation of that advertising, class actions in credit matters, the desirability of rate regulation, holder in due course data, prepayment considerations (including flipping and rebate of prepaid interest), and other such items might be desirable, but it would hardly be practical. If the time spent on credit in classrooms is proportional to the space devoted to the topic in textbooks, then credit is not really a neglected topic. However, as mentioned earlier, a case can be made for putting more emphasis on the social consequences of credit abuse.

Economic Understandings

Although some economists may not agree, a good argument can be made for the idea that studying consumer problems is an excellent approach, both intellectually and motivationally, to the study of more abstract economic principles. At least some curriculum workers interested in economic education and consumer education believe that consumer problems, or consumer economics, is really a part of economics, just as international economics or labor economics is a part of economics. This may be true, but persons committed to consumer education issue a warning about combining basic economics and consumer education (or consumer economics).

The argument of consumer education advocates goes like this: Economic understanding is extremely important if students are to meet their responsibilities as citizens and as members of a free enterprise economy. Because of a general recognition of this fact, schools are wisely making economic education a vital part of their curricula. But combining consumer education and economic education may not be wise. If educating consumers is to be accomplished by making room for some consumer topics in basic economics courses, students may be given little consumer education. The need to offer educational experiences designed to help

young people and adults be wiser consumers is too important to be subsumed in another course such as economics.

Many, if not all, consumer topics can be used, on the other hand, to promote economic understanding. The recognition of two striking facts about human society—unlimited wants and limited resources—is often cited as the starting point of economic inquiry. We study economics because we want to organize our efforts better in order to satisfy more of our unlimited wants. Consumers, too, face the problem of resource allocation because we have limited incomes but unlimited wants. Thus, one of the major objectives of consumer education has been to assist consumers in making intelligent choices among goods and services and in securing the fullest utility from them.

It is thus in the economic need for resource allocation that the study of consumer credit can perhaps best make a contribution to economic understanding. When credit is so easily available, consumers must be especially careful in planning the use of their incomes. Ideally, the study of credit should follow closely upon a study of goals clarification and budgeting. With our limited incomes we must choose carefully which of our many wants to satisfy. Society, too, must similarly make choices. Good highways cost a great deal of money. So, too, do good prisons, parks, libraries, and schools. The alternative cost of public schools or better roads is some other desired use of resources that must be given up (and this may well be the goods we might buy individually if taxes were lower). By starting with the fact that consumers must allocate their resources wisely to bring the greatest satisfaction with their limited incomes, students should be able to understand more readily that our nation, too, must face up to allocating its resources wisely.

A study of consumer credit could also be a starting point for learning about public borrowing and the public debt. Although public borrowing and public debt are sometimes compared to the borrowing and debt of businesses and families (this comparison has been done more frequently in recent years), there are very significant differences. Failure to recognize these differences has led to much misunderstanding of the nature and significance of our public debt. Students can learn why individuals and families should borrow money, and they can contrast this with the main reasons government borrows money. The size of our public debt, its ownership, and its consequences (is the interest of it a burden?) could be contrasted with the safe size of a family's debt, its ownership, and its consequences.

TRANSPORTATION

While credit is covered extensively in consumer textbooks, transportation is covered meagerly. One book has no mention at all of any kind of transporation. Another book, however, contains a chapter on

buying cars and part of another chapter on buying other kinds of vehicles (such as mopeds, motorcycles, and vans).

The textbooks include advice on buying used cars, and they direct the reader to such sources as *Consumer Reports* and *Motor Trend* for information about such things as frequency-of-repair records for various models. Students are told that price guides exist for dealers and banks, and that these guides are usually available from loan officers.

Advice is also given on buying new cars, but because prices and cars have changed so markedly in recent years, some of the data in the textbooks are not really very helpful. One textbook does include helpful information on how to submit a bid to dealers and how to make a dealer a firm offer in writing for a specific car. The problem of car repairs is given some space, and advice on how to locate a mechanic is included.

Concepts for Consumers

Although the textbooks, with one exception, include information on buying cars, not much else about transportation is included. One glaring omission in all but one textbook is an emphasis on the importance of safety. About 50,000 Americans are killed every year in vehicle accidents, and two million others are injured. The economic costs of the injuries, deaths, and property damage exceeds $38 billion annually. Surely, in view of that, automobile safety deserves more attention in consumer classes.

The work of the National Highway Traffic Safety Administration (NHTSA) is important. NHTSA is given power to (1) establish motor vehicle safety standards; (2) establish a National Motor Vehicle Safety Advisory Council; (3) engage in research, testing, and development of motor vehicle safety; (4) prohibit the manufacture, sale, delivery, or importation of substandard vehicles; (5) investigate and discover defects in the manufacture of vehicles; and (6) develop standards for tire safety (Rothschild and Carroll, 1979).

There are several ways for consumers to intervene in NHTSA proceedings. Perhaps the most important is to write complaint letters or telephone the hotline to notify the Agency of safety defects. Consumers and consumer groups can also participate by submitting written comments at any stage where comments are requested during the rulemaking process.

Automobile safety is a major consumer problem. NHTSA started slowly, but its efforts are increasing. Students should know about NHTSA and be encouraged to participate as consumers to help ensure the success of the Agency.

Students should also be given an opportunity to explore ways for society to reduce traffic fatalities and injuries. If many highway deaths are in one way or another related to drinking, then how can drinking drivers be kept from behind the wheels of automobiles? Apparently Sweden has gone a long way toward solving this problem by imposing jail sentences and huge fines. As a result, when people get drunk in that

country, they stay where they are, take a taxi, or let another person drive their cars. Would this not work in the United States?

Within just the past five years, some substantial changes have been taking place in the kinds of cars wanted by consumers. As all of us are aware, the American automobile industry apparently did a poor job of predicting our wants. Because of fuel shortages and the high cost of fuel, Americans have demanded more energy-efficient vehicles. We no longer zip down highways at 70 miles per hour. Instead we devote our attention to fuel economy, convenience, and, hopefully, safety. As a result of this, imported cars have become more popular every year.

Economic Understandings

Units on transportation in public schools could help to make students aware of the social costs of driving cars. Adding up the private costs of car driving is a typical exercise in consumer classes, but some valuable economic understandings could be provided by considering such social costs as air pollution – probably the biggest social cost. Pollution from automobile exhaust contributes 60 percent of total pollution in the major cities today.

Congestion is another social cost of automobiles. Congestion on bridges, freeways, and other roads is a problem because by the mere fact that a driver is on the bridge he is slowing down everyone else on the bridge. When the total time wasted is added up, the cost is high. One solution, of course, is mass transit. But that solution apparently is not very close for most of us.

A key concept that students could learn is that the automobile is subsidized to such an extent that mass transit has difficulty competing. Urban motorists, for example, pay just a fraction of the true costs of driving their cars in the city. The costs of traffic police, maintenance and repairs of roads, and traffic signals are incurred by all taxpayers because they are usually paid for out of general city revenues. Motorists park free in streets, or pay just a small parking meter fee. When streets and highways are built, or when improvements are made on existing streets and highways, the money is borrowed and the interest costs are subsidized by the federal government.

With our scarce energy resources, what is the answer to our transportation problems? Cars are finally being bought that travel many more miles per gallon of gasoline. Because these cars are smaller and lighter, does a safety problem exist? Or can small cars be built that are relatively safe?

To what extent should persons who commute to work be encouraged (or forced) to car pool? Some cities encourage car pools by giving priority on special lanes in the freeways for those cars that have three or more passengers. Some have suggested that employers provide for employees vans that can carry eight or more passengers.

Can mass transit systems be built that will be successful in com-

peting with private cars? What are the social benefits of such systems? What are the alternative costs of developing such systems?

In summary, consumer classes can contribute to economic understanding when transportation is included as a topic. The textbooks available now lag behind a bit in their coverage of transportation issues, but this may be attributable in part to the fact that transportation problems have become more noticeable in the past few years. Classes now need to face the fact that some important choices need to be made by society.

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Chapter 6 Analysis of Content in Two Units: Housing and Public Goods and Services

Response – *Roman Warmke*

Response – *Roger M. Swagler*

Response – *William B. Walstad*

A Response to "Analysis of Content in Two Units: Housing and Public Goods and Services"

Roman F. Warmke

HOUSING

> Apt. for Rent: Two br., garden unit; only 70 minutes from downtown; $1,200 per month, plus utilities and taxes. Includes use of communal kitchen. Maintenance contract available. (Southgarts, 1979).

A misprint? No. Strange and expensive as this classified advertisement sounds, it could be typical of those appearing in local real estate classified before the end of the century. In fact, the advertisement assumes only a yearly inflation rate of about 7 percent.

Contrary to the drab and, yes, dismal treatment of economics of housing in the standard consumer education textbooks, shockers like the lead-in above are needed to draw attention to (1) the economics of the housing industry, and (2) dramatic aggregate economic changes in the American economy that influence the changing character of the consumer, whether an apartment renter or home-buyer.

Between January 1978 and October 1979, average new home prices jumped 35.9 percent. The average new home conventional mortgage loan size grew by 30.5 percent. The result was a 51.7 percent rise, from $14,700 to $22,300, in the average down payment for a new home. During the same period, lenders raised their fees for originating loans by over 19 percent. In October 1979, the *average* sale price of a new home was $75,800. The average sale price of an existing single family home was $65,200 (Southgarts). Twenty years ago, who in his or her wildest dreams could have imagined figures of such magnitude?

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Despite the gloom and doom presented in the paragraph above, there are some bright points to be considered about the economy as it affects the housing industry. The period from January 1978 to October 1979 was not a "typical" economic period in the United States. The inflation rate was in double digit figures during the period. The Federal Reserve was maintaining a tight money policy which constricted the availability of home mortgage loans and drove up the average down payments for homes.

The price of a home provides an incomplete picture of the financial transaction. Under our present tax laws, interest paid on a home mortgage is tax-deductible. Consequently, a home mortgage of 12 percent reflects a true interest rate of 6 percent for someone in the 50 percent income tax bracket, 8 percent for someone in the 33-1/3 percent tax bracket, and so on. The mortgage interest rates are, in almost every case, below the rate of inflation, representing a negative cost of money. Additionally, personal incomes have increased more than 100 percent during the past decade. However, as incomes increase, so does the percentage of tax, given our progressive tax system.

The fact that housing prices have increased more rapidly than the general inflation rate during recent years, and also the favorable income tax advantage for home ownership, probably account for the American bias toward home ownership. As will be noted later, consumer education textbooks reflect this bias. Sometimes the advantage of renting under given circumstances goes unexplored.

Assuming a 7.2 percent annual inflation rate and applying the magic rule of 72, new homes in the year 2000 will have an average selling price of $303,200. A used home will sell for $260,800 (Starr, 1975, 9–10). Students in high school in 1980 will not even be in the midpoint of their careers when dollar figures for housing potentially will reach such staggering figures.

The dollar amount paid for a home is not the most relevant point. What is significant is the relationship between the cost of a home and real disposable income. As will be explored later, real disposable income is correlated to economic productivity. Consequently, buying a home (or for that matter, renting) must be examined in the context of total economic activity.

Simply applying inflation rates and taxes to rents and housing costs does not, of course, take into account the effects inflation has on production and operating costs. To put it simply, adequate housing can rapidly be priced out of the market if economic productivity is stagnant or declining. A brief reflection of this point shows the need for students to understand basic economic concepts. More will be said about this concern later.

Content Analysis of Housing in Current Consumer Texts

Most consumer textbooks written with a consumer or personal economics emphasis are directed to a college audience. In critiquing con-

sumer textbooks written for an audience below the college level, I feel as though I am analyzing my own children, since I have co-authored three textbooks written directly for the consumer education market and two additional textbooks, one at the high school level and one at the elementary level, that have a consumer component. Nonetheless, examining high school and elementary school textbooks, my own included, makes me acutely aware that planning for housing needs is given rather short shrift in consumer education courses. In an actual tabulation of the number of pages devoted to housing in standard high school textbooks, I found that less than one-half of 1 percent of the total consumer education course is devoted to this topic. I did not examine elementary education textbooks for this content, since in the elementary school, when emphasis is given to housing, it is from a decidely different approach from that used in the high school. Some elementary school materials emphasize a need for a child to understand and appreciate housing as a family concern. Financial planning for housing needs and the economics of the housing industry are, however, left to secondary materials.

Combining the housing topics as discussed in the secondary school texts reviewed reveals the following composite list of topics that would be covered if a student had access to all of the texts (note the ownership bias):

A. Housing Problems
   1. Owning versus renting
   2. Paying for the home
      a. Buying for cash
      b. Cost of home and annual income
      c. Down payment
      d. Monthly payments
      e. Initial occupancy costs
   3. Low-cost government housing
      a. Rental housing
      b. Home buying
      c. Buying mobile homes
   4. Buying condominiums

B. Financing Your Home
   1. Mortgages
      a. Partial payment mortgage
      b. Insured mortgage
      c. Package deals
      d. Open-end mortgage
   2. Appraisals
   3. Sources of loans
      a. Savings and loan associations
      b. Banks
      c. Credit unions
      d. Mortgage companies
      e. Private lenders
   4. Land contracts
   5. Payment and rates
      a. Interest charges

b. Extra charges
c. Settlement costs
d. Real estate loan protection insurance

6. Government-secured real estate loans
   a. FHA-insured loans
   b. VA-insured loans
   c. HUD loans

C. Legal aspects of renting a home
   1. Rights and duties of the renter
   2. Rights and duties of the owner
   3. Improvements and fixtures

D. Legal aspects of buying a home
   1. Title to real estate
   2. Deed
   3. Rights and duties of the mortgagor and the mortgagee

The outline above suggests that textbook writers, myself included, give a rather shallow treatment of the economic insights needed in providing for housing needs. I think that all of us should be indicted for error of omission. No one seems to be willing, or perhaps able, to present housing in a dynamic, realistic, down-to-earth manner. The opportunity to introduce economic principles in a relevant context tends to go unexplored.

What Economic Understandings Must the "Average Consumer" Have about Housing?

Different people would approach answering the above question in different ways. Stated below are my candidates for minimum economic understanding that the average consumer needs to know to provide for housing needs:

A. Financing
   1. How to obtain appraisals when buying or selling
   2. Various types of mortgages and land contracts
   3. Closing costs and related expenses
   4. Government-subsidized housing
   5. Tax loopholes favoring home ownership
   6. Rent controls and the effects on the housing market
   7. How to use leverage in buying and selling real estate

B. Insurance
   1. The renter's responsibilities
   2. The owner's responsibilities
   3. How to make disasters less disastrous
   4. Workman's compensation (when making home repairs)
   5. When social security deductions must be made
   6. The use of loan insurance to get that doubtful loan

C. Remedies to the down payment crunch
   1. Land contracts
   2. Second mortgages
   3. Co-signer agreements
   4. Renting with option to buy

5. Owner financing
6. Other financial arrangements

D. Owner/renter arrangements
1. How to minimize and handle aggravation
2. When legal action is needed and when it should be avoided
3. How vacancy rates affect both the owner and the renter

E. Legal matters
1. How to use or not use attorneys
2. How to minimize closing costs
3. What the investor should know about joint-ownership

F. Negotiations
1. Negotiation strategy
2. Tax-deferred exchanges
3. Buying real estate at auction

G. Planning your home buying strategy
1. How to select a real estate agent
2. How economic conditions (inflation, recession, interest rates, etc.) affect your home buying strategy
3. When and how to capitalize and when not to capitalize expenditures when the home is also used to produce income
4. The role of leverage in the home buying strategy
5. Sources of market information about home buying
6. How to use unconventional types of financing (See "C" above)
7. FHA, VA, and HUD and other government agencies as sources of funding
8. The role of insurance in housing (including loan insurance—See "B" above)
9. Sources of money for home buying
10. Mortgage terms
11. Re-financing and tax deductions possible through home ownership, including mobile homes and condominiums and manufactured homes

H. Professional services
1. How to minimize attorney fees
2. Home improvement and maintenance courses available in the local community
3. Services available through government agencies

I. Taxes
1. Interest as the tax deducation
2. Re-financing and tax management
3. Deductions for depreciation when the home or part of it is used to produce income
4. Installment sales and their effect on taxes when selling or buying a home
5. Tax deferred exchanges

J. Housing for tomorrow
1. Designs for living
2. The market
3. Available technology
4. Manufactured housing
5. Do-it-yourself techniques'

Economic Understandings and Concepts that Are Applicable in the Analysis of Housing

Whether a person decides to rent or buy, housing generally represents about 25 percent of a consumer's budget.[2] A basic understanding of how the economic system functions is fundamental for consumer decision-making about housing.

The first and obvious concept is supply and demand. Some ways of controlling housing production costs and thereby increasing the supply of rentals and owner occupied units include (1) building smaller and more efficient units, (2) using shared facilities, and (3) building farther away from urban areas to minimize land cost. All three of these approaches are reflected in the real estate classified used to launch this discussion about housing.

A shift in the demand curve for housing can only result from (1) a trade-off of demand preferences for other goods and services, or (2) a constant dollar increase or decrease in consumer disposable income. Disposable consumer income is inextricably tied to (1) changes in productivity, and (2) the pattern of government spending and taxing.

These comments suggest that a unit on housing, when taught as part of a consumer education program, is incomplete unless the housing industry is analyzed in relation to the total economy. Economic concepts of supply and demand, inflation, productivity, government taxing and spending are indispensable in analyzing a basic consumer need for shelter. It takes little reflection to realize also that there is a need for an understanding of money and banking practices; the role of financial institutions in our society; and the effect of monetary policy on home purchases, price stability, and economic growth. Renting and buying housing is not merely a process of working with checklists as it is often taught. A knowledge of economics is fundamental.

Obviously, economic content cannot be taught in depth each time a new consumer unit is introduced. Therefore, I recommend that the *Master Curriculum Guide in Economics for the Nation's Schools* (Hansen *et al.*, 1977) serve as a guide for providing the concept coverage recommended above. This guide includes other concepts, but the concepts specified in the preceding paragraph should be emphasized in a unit on housing. If these concepts are developed systematically, in a logical progression, consumer courses become more meaningful as they are introduced into the curriculum. Consumer topics become more meaningful and obviously more relevant when taught in an economic context. Even if the economic concepts are developed sequentially K-12, I feel that a consumer course should start with a review of basic concepts. This is consistent with a "whole-part-whole" philosophy of learning. I believe that students need a basic introduction to the economic concepts and then, as each consumer topic is introduced, these concepts should be related back to the total economy. Basic economic content might be likened to a canvas upon which the consumer topics are painted. A bland (or dismal?) canvas can be highlighted by the masterful painting of consumer topics.

PUBLIC GOODS AND SERVICES

Public goods and services are jointly consumed goods and services. There is physically no way that public goods and services can be made available to one person and not to another. Examples include national defense, police protection, the courts, and similar entities. As contrasted to private goods and services, there is basically no incentive for a person to pay his or her fair share for public goods and services. Public goods and services will be provided in any case unless everyone opts out.

In the United States, approximately 21 percent of the gross national product is spent for public goods and services. If transfer payments are included, 36.1 percent of the GNP represents government expenditures. In the form of taxes, 34.8 percent of the GNP goes to the government (federal, state, and local) for the purchase of public goods and services and transfer payments (U.S. Bureau of the Census, 1979, p. 437). In addition to government expenditures, amounts of a similar magnitude are estimated for social expenditures such as insurance, hospital care, and private education and various not-for-profit enterprises that provide goods and services on a collective, rather than a private basis. Given the magnitude of these expenditures, it is both shocking and disgraceful that most current consumer texts make only a passing reference to goods and services provided through government and almost no reference to social and not-for-profit expenditures. Of the texts reviewed, only one has a separate chapter devoted to a discussion of government services. One other textbook provides a rather extensive discussion of public goods and services throughout the entire text. Typically, however, the topic is ignored.

Content Analysis of Public Goods and Services in Current Consumer Texts

As indicated above, most of the current texts essentially ignore the topic of "Public Goods and Services." Possibly this is true because an understanding of public goods and services necessitates a basic knowledge of economics. As a review of current texts makes eminently clear, a fundamental understanding of consumer economic decision-making is sacrificed in favor of buymanship techniques. Even in the housing unit (discussed above) topics such as (1) tax laws favoring home ownership, (2) subsidized loans to encourage housing construction, and (3) even rent controls and their effect on the housing market are ignored.

Suggestions as to the content needed in the area of "Public Goods and Services" follow.

What Economic Understandings Must the "Average Consumer" Have about Public Goods and Services?

If we envision an orchestrated curriculum (Senesh, 1966, p. 24) with different disciplines or subject matter areas playing solo at different times, it seems to me that the minimum contribution that consumer edu-

cation should make to the topic of "Public Goods and Services" is covered in the following questions:

1. What is the difference between private and public production of goods and services including externalities, indirect payments, and the role of taxes?
2. What public goods and services are provided?
3. How else can these goods and services be provided?
4. What public goods and services should be provided?
5. How does the government finance the goods and services provided?
6. What criteria should be used to evaluate public goods and services?
7. How can an individual consumer affect the quality and quantity of public goods and services?
8. How do purchases of public goods and services relate to individual and national goals?

As indicated, consumer texts tend to ignore the area of public goods and services. Possibly this is true since an understanding of public goods and services necessitates a basic understanding of the economy, and most high school consumer texts are weak in economic analysis.

Economic Understandings and Concepts that are Applicable in the Analysis of Public Goods and Services

The role of government in the United States has increased significantly in recent years. A premise of a market-oriented economy is that government should provide only those goods and services that private enterprise cannot, or will not, supply effectively. Apparently, in the United States, we have now concluded that that category represents more than 36 percent of all money transactions. The categories of federal expenditures in 1978 in order of magnitude were as follows: cash income maintenance; defense, space, and foreign affairs; helping people buy essentials; net interest; education, manpower, and development; agriculture and resource development; and energy and transportation (Pechman, 1979, pp. 2–12). State and local expenditures 1976–77 in order of magnitude were as follows: education, public welfare, and health; general administrative and other expenditures; insurance trusts; highways; utilities and liquor stores; police and fire protection; and interest on general debt (Census, p. 258).

It should be noted, however, that government expenditures fall into two classifications: exhaustive expenditures and income transfers (Gwartney and Stroup, 1980, p. 87). Exhaustive expenditures are those expenditures by government that use resources that might otherwise have been used in the private sector. Income transfers function to redistribute income among individuals and institutions. The exhaustive expenditures

represent about 58 percent of government spending; transfer payments represent the other 42 percent. While government expenditures represented only 10 percent of the GNP in 1929, they represented 36.1 percent in 1977. There has been a steady and constant growth in government expenditures as a percentage of GNP during the past 50 years. Particularly since the 1960s there has been a virtual explosion in public expenditures for income redistribution payments and social welfare. Since 1965, social welfare expenditures have increased 150 percent, whereas real national output has increased only 37 percent. Direct income transfer payments have doubled as a share of GNP since 1965. Transfer payments are becoming an increasing portion of total government expenditures (Gwartney and Stroup, p. 91).

The most common topic in current texts as it relates to government is "Government Aids Available to the Consumer." If an individual is to have a comprehensive and meaningful understanding of the role of public expenditures, the analysis of the role of government must be both broadened and deepened.

The Employment Act of 1946[3] charged the government with the responsibility for a "continuing policy and responsibility . . . to promote maximum employment, production and purchasing power." Only the specific means to accomplish these goals were left in the debate arena. As a result of the Employment Act of 1946, the role of government expenditures was expanded beyond providing public goods and services not provided by the private sector. The new role placed government taxing and spending in the context of optimizing production, constraining unemployment, and providing price stability. The needs and wants of an individual were subsumed under the broader goals of society. In the United States the public sector is now almost as large as the private sector. In fact, if one includes not-for-profit enterprises and other private enterprises that produce social goods, the collective decision making portion of the United States economy exceeds the private decision making component. Consequently, the topic "Public Goods and Services" must be taught in the context of aggregate economic analysis. Therefore, I submit the following as economic principles (generalizations) that everyone should know as a part of understanding either the public sector or the private sector:

1. Since wants are greater than the resources available to satisfy them, individuals and nations must *economize*, that is, make choices as to how resources are used. An individual may have to decide between a vacation or a different automobile. A nation may have to reduce welfare or social payments if it increases defense expenditures.

2. Every society, no matter how simple or basic, has some form of economic system which determines (a) what goods and services will be produced in both the private and public sectors, (b) how the goods and services will be produced, (c) how the production will be

maintained and increased, and (d) how what is produced will be shared among the people.

3. Specialization tends to increase efficiency and production. For example, an assembly line will produce more automobiles than each worker producing an entire automobile. Tools and machines (capital) also increase production. For example, robots are now commonly used for routine tasks on an automobile assembly line. Capital improvements also tend to increase productivity—output produced per working hour. Real wages (corrected for inflation) are tied inextricably to productivity (not to be confused with production). For example, between 1947 and 1978 output per working hour rose 104 percent while real wages rose 105 percent. For real wages of a society to increase, productivity must increase.

4. Production of goods and services is limited by the resources available—labor, management, tools and machines (capital), and land. Wages are the payment for human services performed. Profit (or loss) is the return for business risks taken. Interest is the payment for money loaned to others. Rent is the payment for land or buildings used. If all of the resources that are available are not used, the level of living is lowered (a deflationary condition). If all available resources are in use, additional attempts to increase production merely drive up prices creating inflation.

5. All economies, even the most basic or simple, have a dynamic (active) system of flows—a flow of goods and services and a flow of money. For example, business firms (producers) provide goods and services to households (consumers) in exchange for consumer expenditures. Money for consumer expenditures is, in turn, created by households (consumers) through providing labor, management, capital, and land to business firms (producers). If the flows are not in balance, price instability (inflation or deflation) results.

6. Private economic decision making is modified through collective or public action (government). In the United States approximately one fifth of all goods and services are produced by federal, state, and local governments. An additional 16 percent of the gross national product (GNP—dollar value of all goods and services produced in a year) is redistributed by government in the form of transfer payments.

7. Economics can be classified as (a) traditional, (b) directed (or command), or (c) market. No economy is totally traditional, directed, or market; all are *mixed*. The classification used is based on the primary characteristics of the economy rather than any absolutes. The economies of underdeveloped countries are classified as traditional since economic life conforms to patterns established through time; most countries with autocratic governments are classified as directed since central planning prevails; the United States, Japan, and West Germany are examples of market economies since, when

possible, prices are determined in the nexus of the market place. In a market economy, primary economic institutions include (a) private property, (b) the market system, (c) profit motivation, and (d) competition.

8. In addition to the economic institutions mentioned in #7 above, other social inventions include (a) money, which is used to serve as a medium of exchange and to aid in the flow of goods and services, (b) financial institutions (for example, banks), which create and aid the flow of money, (c) business organizations (sole proprietorships, partnerships, corporations, and cooperatives) which produce goods and services, (d) labor unions which are designed to create better working and living conditions by actions such as collective bargaining, and (e) insurance companies designed to provide a method of risk sharing.

9. National emergencies such as war cause some items to be scarce even if all resources are employed because effort is diverted to producing goods and services for the emergency instead of satisfying consumer demand. Even a market economy becomes more directed during such periods. The pent-up consumer demand frequently leads to inflation.

10. The Gross National Product (GNP) is the dollar value of all goods and services produced in a country within a given time period, usually measured yearly. GNP is determined by adding (a) consumer spending (C), (b) business investments (I), (c) government spending (G), and (d) net exports (exports minus imports) resulting from foreign trade (F). A change in the economic activity of any one of these components of GNP will affect total GNP since GNP = C + I + G + F. Circular flow analysis can be used to study GNP and its components.

The fundamental economic understandings indicated above are essential to any discussion of "Public Goods and Services." If these principles are not understood before a consumer course is introduced, they would need to be presented at that time. Hopefully, a brief review of such economic principles will be all that is needed at a time a separate course is provided. If students enter the consumer course with basic economic understandings, then consumer education and economic education can interface somewhat in the manner suggested in *Consumer and Economic Education K-12: A Comparative Analysis* (Trujillo, 1977, p. 9).

CONCLUSIONS

An individual can perform three economic roles: (1) a consumer; (2) a worker or a producer; and (3) a citizen voter. All individuals are con-

sumers, but the role of consuming cannot be adequately analyzed unless it is presented in the context of the two other economic roles of working and producing and functioning as a citizen voter. Additionally, it should be remembered that the consumer's role is subdivided into (1) spending, (2) borrowing,[4] (3) saving, and (4) investing.[5]

An analysis of current consumer texts in the area of "Housing" and "Public Goods and Services" seems to merit the following conclusions:

1. Most of the current consumer texts are buymanship or money management oriented. The emphasis is on the "spending" activity of the consumer. The other consumer activities of borrowing, saving and investing are underemphasized in the order presented.

2. In most current texts the economic role of the consumer is not analyzed vis-à-vis the economic roles of working (producing) and functioning as a citizen voter.

I submit that an analysis of the consumer role can and should be made analogous to a three-way mirror. When the consumer role is front and center, one does not get an adequate view unless the side panels, including the economic roles of working (producing) and of functioning as a citizen voter, are also presented. Individual consumer decision making must be analyzed in the context of the aggregate economy to be meaningful, relevant, and effective. A basic understanding of the economy (the canvas) must be present before individual consumer decision making (painting) can be taught effectively.[6] Basic economic understandings can be taught in a logical, naturally unfolding sequence before the consumer topics are presented, or they can be taught as an introduction to the consumer unit.

Consumer education and economic education are not independent bodies of content. An interface (Trujillo) or a "layer cake analogy" is inadequate. I believe that if we were to consider a marble cake analogy, we are closer to providing the consumer economic education that which is needed in our public schools. Consumer topics and techniques should be marbled throughout the teaching and learning about the economy.

FOOTNOTES

1. Adapted from "The House: Blueprints for the Eighties," *TWA Ambassador*, 1999 Shepard Road, St. Paul, MN 55116.
2. I suggest that a unit on housing also include an analysis of buying real estate as an investment. The section should include a discussion of (1) starting on a small scale, (2) using leverage to increase holdings, (3) effects of inflation, (4) types of investment properties, and (5) tax management.
3. Amended and updated by "The Full Employment and Balanced Growth Act of 1978 – Humphrey/Hawkins Bill."
4. Some economists consider borrowing to be a subset of spending. However, since borrowing techniques and the need to know the economic institutions related to borrowing are so important in consumer education, the topic borrowing is presented as a separate subdivision in this presentation.

5. Investing in this instance is used in the layman sense of money used to create additional money rather than in the economic sense of creating capital goods.
6. In developing a basic understanding of the economy, both short- and long-run considerations need to be noted. For example, short-run maximization of profit could mean a long-run disaster if it leads to dirty air, using up unrenewable resources, etc. On the other hand, positive externalities must also be considered. For example, expenditures for research, development, and education might have a positive effect beyond the time period in which the expenditures are accounted.

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A Response to "Analysis of Content in Two Units: Housing and Public Goods and Services"

Roger M. Swagler

INTRODUCTION

Perspective

Anyone attempting to specify the relationship between consumer education and economic education will do so in light of his or her own definition of consumer economics; that is what I have done in the material which follows. As I have indicated elsewhere, the content of consumer economics is defined for me by a set of assumptions within the economic theory of consumer choice (Swagler, 1979, pp. 22–25). If one adds consumer sovereignty to the common assumptions of rationality, certainty, and perfect information, most consumer problems vanish; so too does the need for consumer education.

Given that perspective, I tend to de-emphasize the distinction between consumer education and economic education. If consumer economics is a specialty within economics, then consumer education can be seen as a specialized form of economic education. As such, consumer education must rely on the analytical framework provided by the economic model. Without that framework, consumer education degenerates into little more than a handy list of shopping tips. In that form, consumer education could never meet the goal of developing "a citizenry capable of *analyzing* social issues and developing individual and social policies" (Royer, 1980, p. 205).

Analysis is the key word which indicates that economics must be part of consumer education. The relevant question, then, is not, "How

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much economics?" but rather, "How explicit should the economics be?" The economic analysis may be developed explicitly, or it may be implicit, an underlying element providing direction to the inquiry. In either case, the analysis must be there.

Approach

Even with a perspective defined, the questions of public goods and housing present a particularly difficult challenge for economic education. (For the sake of simplicity, the phrase "public goods" will be used to include both public goods and public services.) It is obvious that both are tremendously important to consumers; together they account for over half of the average consumer's gross income. Nevertheless, important aspects of both tend to be neglected. Given a focus on markets, public goods often receive limited treatment; housing may be covered, but the full possibilities of the topic are hardly explored.

Having said that, it must be admitted that there are difficulties involved in the development of both topics. Public goods and services by definition do not represent a market situation. Thus, the consumer, as citizen, must become involved in the political process. Housing, which is generally a private purchase, also has important public aspects. Furthermore, the particulars with which a private buyer must be familiar are so detailed that it is questionable whether they can be taught effectively to students who are not directly involved in their own housing decisions.

The development in the following sections suggests a common strategy for dealing with these problems. Though the emphasis differs, the basic thrust is toward *awareness* and *approach*. The former stresses the need for students to identify the issues and recognize their overall significance; the latter concerns developing a general context within which students can deal with the issues.

PUBLIC GOODS

The Problem

One of the enduring problems with public goods in the United States is that they tend to be ignored. Even consumer economists, who should recognize the importance of public goods, still focus almost exclusively on problems relating to the private sector. At the post-secondary level, a few texts treat public goods (Swagler), but most deal only with issues relating to taxation (Garman and Eckert 1979; Miller 1975). Thus the emphasis is on cost, with little attention given to maximizing potential benefits.

This curious myopia within the profession reflects a more general societal bias against public goods. John Kenneth Galbraith was one of

the first to note that public goods are often viewed as "a burden which must, in effect, be carried by private production" (1958, p. 109). To the extent that such views prevail, consumers' perceptions get in the way of their self-interest. Consumers use public goods, paying for them with tax dollars they would otherwise have spent themselves to improve their well-being. Thus, consumers should be as concerned with getting their money's worth from expenditures on public goods as they are with maximizing satisfaction from private consumption.

It follows that coverage should begin with a clear statement that consideration of public goods belongs in the consumer education curriculum. Having made that point with emphasis, the basic questions are:

1. What types of public goods should be offered, and in what quantities?
2. How do consumers ensure that they receive maximum benefit from the tax dollars they pay for public goods?

Both of those questions point to the consumer's involvement in the political process. Because public goods are supplied collectively, the individual cannot adjust consumption as he or she would with private consumption. Citizen-consumers exercise control over the quantity and quality of public goods through a process of collective decision making. That fact helps define the specific content areas which require coverage.

Suggested Emphases

A unifying theme. Various aspects of public goods are discussed separately below. It is important, however, that the interrelationships among the topics be stressed. The fact of indivisibility implies a kind of community, which in turn raises concerns about equity and political control. Students should understand that these issues are actually different aspects of the same question and that together they determine the manner in which individual and collective needs are balanced.

Indivisibility and externalities. Goods provided publicly cannot be supplied to one person without being supplied to everyone or limiting the benefit from the goods to the person making the purchase. Thus, indivisibility and externalities form the basic rationale for the existence of public goods within a market economy. Because they are supplied collectively, it follows that payment should be collective.

Because payments are collective, the individual is not guaranteed benefits in direct proportion to what is paid. In some cases, such as national defense and fire protection, benefits may be spread fairly evenly across the population. More commonly, however, benefits flow primarily to a particular group (Singer, 1976, p. 41). Others pay, even though they don't benefit directly.

At this point, externalities should be stressed again. The individual's well-being may be improved, even though he or she receives no direct

benefit; to the extent that society is strengthened, everyone benefits. Students should understand, however, that these benefits are often remote and not easily specified.

Community. The collective provision of, and payment for, public goods, defines a kind of community. People within the community receive direct benefits but are also called upon to support programs which do not benefit them directly. The particular pattern of distribution of public goods results from a collective decision which the community makes. Thus, it is the community's values or preferences which are served.

Several possibilities can be identified in this case. First, the person may support a particular distribution of public goods because he or she benefits. People with school-age children, for example, tend to support education; a family may move to a particular community because it has a good educational system. However, to the extent that individuals accept the community values, they may support public programs even though the direct benefit is limited. The key is that the individuals recognize and accept their responsibility to support community efforts. That support may be forthcoming even when individuals do not favor a particular program; if they see themselves as a member of a group, they may accept the will of the group.

It should be clear that individuals with similar interests will form more tightly knit communities. The larger the community and the more diverse interests it contains, the less likely it is that there will be a clear consensus about public goods. In that case, there may be significant disagreements about the type and number of public goods which should be provided. In small communities, those who cannot accept the will of the majority can leave; at the national level, however, that is rarely an option. The individual must either accept a distribution pattern which he or she doesn't like or work to change the system.

Equity. The discussion of costs and benefits raises the question of equity. The focus in this case is on the tax system and the relative contribution of different income groups. Coverage can be built around traditional material from public finance, focusing on the regressive, proportional, or progressive nature of different taxes.

I feel that the students should be encouraged to discuss their ideas of equity, including possible redistributive effects of taxation. They might also be directed toward various issues. Do sharply progressive taxes have a disincentive effect? Do the poor bear a double burden if revenues from a regressive tax go to fund state parks, which the poor are less likely to use? Do the benefits of education go primarily to middle and upper income groups?

Finally, students should understand the types of taxes associated with various levels of government. As citizens, they are going to be called upon to make decisions about taxation at all levels; they should therefore understand the issues involved. The type of taxes involved vary from

state to state, but the property tax is a common feature of the tax system at the local level and also one in which individual citizens are most likely to be involved.

Political involvement. A citizen who wants to affect the community's decision making must become involved in the political system. Individuals may become involved because they wish to see the distribution of public goods changed or simply because they want to ensure a more efficient system. The latter point is important in terms of receiving the most public goods for taxes paid.

It is tempting, at this point, to expound on the virtues of an active, involved citizenry. However, students should understand that participation is expensive. Complex bureaucracies may be difficult to influence, and even at the local level, influencing decisions requires a significant commitment of time and resources. The warnings should not discourage students, but if they are aware of the realities of the stituation, they are less likely to be disillusioned later (Downs, 1957).

In this instance, coverage can be integrated with other material from consumer economics, as well as other sources. The kind of complaint behavior which a consumer might use with a private company, for example, might also be effective with a public agency; the processes are similar. Furthermore, the issues here—citizen participation—are similar to those which might be covered in a government class. Students should see that they play a variety of roles and that these roles often overlap.

Exploring alternatives. With some overview in mind, students should be encouraged to explore alternative approaches to the problem of public goods. The sample of illustrations below should illustrate the wide range of possibilities.

Private vs. Public Responsibility. For the past 50 years, the range of public goods has been expanding, assuming many responsibilities which had been private. The reasons for this change can be explored. Similarly, seemingly inconsistent individual behavior may be discussed. For example, an individual who campaigns against a tax increase may give generously to a religious group or to support local organizations such as Band Boosters.

Public vs. Private Provision. Many goods and services, such as garbage collection, are provided both privately and publicly. What elements go into the decision as to which is better?

Expanded Choice. Increasing attention is being given to alternative ways to provide public goods. The voucher system in education is one example. Payments would go directly to students, who could then spend the money on the educational services of their choices. In this way, public support for education is maintained, but the public school system is not (Friedman, 1962, pp. 85–107). Students should review the benefits of this system in terms of expanded choice as well as the social consequences of such a move.

HOUSING

The Elements Involved

The question of housing presents a series of problems which are similar to many of those associated with public goods. In dealing with those problems, one must treat both the practical aspects of housing and its broader public and social implications. Given the unique qualities of housing, I do not feel that either of these approaches is sufficient by itself.

From the private perspective, housing represents a tremendously important purchase. For most families, a house is the largest purchase which will be made in a lifetime, and monthly housing costs represent the largest single item in the budget. Beyond that, housing is bound up in the more general idea of lifestyle and is likely to have a very important bearing upon perceptions of well-being.

In some cases, the importance of housing has been elevated to the point that there is a kind of mystique about it. Home ownership is maintained as a goal of upright citizens; home and family are equated as basic social institutions. Folk sayings ("One's home is one's castle") emphasize the private, almost feudal, aspect of the home. Recent television advertisements have played upon the theme of home ownership and private property, suggesting that each owner-occupied dwelling is a kind of bastion of individual rights.

Given that perspective, the public aspects of housing receive less attention. In some cases, housing is a public good, but even in the more general case, public involvement is significant. Subsidies are common through tax policies or special mortgage arrangements. Concern with money markets and the adequate flow of funds into housing reflects a policy decision to encourage home ownership. At the state and local levels, governments intervene through a typically complex set of codes and zoning regulations.

In a broader, social sense, housing interrelates with a variety of public decisions. For example, the expanded mortgage opportunities and the construction of freeway systems encouraged the move to the suburbs, which in turn contributed to urban sprawl and the deterioration of central cities. Seemingly unrelated decisions had an impact beyond their immediate focus; these interrelationships need to be noted.

Text materials on housing tend to focus on its private aspects, with special emphasis on questions of design, decoration, and furnishings (Craig and Rush 1966; Lewis 1978; Sherwood 1976). These can be important issues, but a focus on them suggests a rather narrow view in a traditional context, with a heavy middle-class bias. Questions relating to financing are covered in most family finance books, although the quality of the coverage varies (Wedin and Nygren 1976; Miller). The public aspects of housing receive much less attention; however, some texts do cover a range of public issues (Wedin and Nygren), linking, in some

cases, housing considerations to broader social issues (Lindamood and Hanna 1979).

The topics discussed above represent a significant amount and range of material. Given the complexities involved and limited amounts of time, it would be difficult to develop each topic fully. The attempt might only ensure that nothing was done well. Thus, there is an obvious need to set priorities and identify key concepts. In setting those priorities, I would suggest that the goal is *not* to give students all the information they will need to buy or furnish a dwelling; neither is it to make them into social planners or government experts. Rather, it is to make students aware of the dimensions of the issues and the pattern of interrelationships. Students who have been introduced to issues will be in a better position to deal with them when they are actually encountered.

A Suggested Approach

Public-private relationships. I suggest an initial emphasis on the public ramifications of private housing decisions to counterbalance the tendency to think in exclusively private terms. The point should be emphasized, but it need not take up a great deal of time. The goal should be to sensitize students to the issues involved.

Function or characteristics. One of the key elements in this approach to housing is to stress function or characteristics; Lancaster's model may be useful in this regard, though it need not be developed explicitly (King 1975; Lancaster 1976). The critical point is that housing serves certain basic functions, providing consumers with particular characteristics (such as privacy, space, etc.) To put it differently, students should focus on the flow of services which housing provides.

Concern with characteristics serves a variety of purposes. It moves students' thinking away from structure *per se* to a consideration of what a particular structure offers. That should make it easier for the individual to identify the key characteristics which he or she values and facilitate some ranking of those preferences. It should also help to provide consistency by identifying the need for trade-offs. That is, students who want both outside space (a large yard) and convenience (proximity to downtown) should recognize that the combination may be difficult to achieve. In such cases, students can then explore other ways to obtain those characteristics (such as a commons area or a public park instead of a private lawn).

Approaching housing decisions through characteristics also frees students from thinking of a particular structural form. Given the emphasis on detached, single-family dwellings, there is a need for students to expand their thinking to include a range of alternatives. If the initial focus is on characteristics, it should be easier to develop alternative ways in which those characteristics can be obtained. Given the rising costs of home ownership, increasing energy costs, and growing pressures on open spaces, students should be encouraged to entertain new possibilities.

The housing decision. There is a major problem in discussing the particulars of the housing decision itself. The "how-to" approach has a kind of ready appeal, but the issues involved are complex, detailed, and subject to change; as such, they are likely to be boring to an audience which may not be involved personally with the issue for some time. That militates against the detailed lists of considerations found in most post-secondary family finance texts. The emphasis should be on the most basic conceptual and institutional elements involved in the housing decision.

Alternative costs. Funds invested in housing are not available for other uses. The loss of income from money invested in a home should be taken into account when calculating the cost of home ownership.

Down payment and monthly payments. Students should understand that the more money they put down, the lower their monthly payments will be for any time period. The relationship to alternative costs should be noted.

Time considerations. The longer the time period of a loan, the lower monthly payments will be; however, total costs of financing over the life of the loan will be greater.

Mortgages. A basic introduction to what a mortgage is and what it does. Sources of various types of mortgages can be identified, but need not be developed extensively.

Taxes and insurance. Students should understand how tax and insurance payments affect home ownership costs. It should also be clear that costs for both will probably increase.

Maintenance and upkeep. Costs in this regard may be hidden, but can be significant. The time element should also be discussed. Costs in this regard are disadvantages of the detached, single-family dwelling.

I feel that these topics can be presented best as a set of considerations: that is, the topics need not be developed extensively, but should be presented in a way that students, when they actually confront the housing decision, will know there are problems they need to deal with. In that regard, students should also know where they can go to get additional, more detailed information (lending agencies, real estate dealers, public agencies, etc.).

Social considerations. The public aspects of housing should be noted in more detail. Public housing is one obvious example. Current issues, such as the dispersal of public housing throughout the community, could be explored. However, students should recognize that public housing represents only one form of housing subsidy. Rent subsidies, special mortgage programs, and tax advantages represent other possibilities. Taken together, these provisions represent a significant public subsidy to housing which affects consumers at all income levels.

There are tremendous numbers of other public policies which impact upon housing, but they are detailed and complex. It seems, however, that students should be aware of the role of zoning and building codes. Both may be discussed in terms of changing land-use patterns and the development of housing alternatives, which in turn can be linked to urban sprawl, energy use, and other consumer concerns. An effort should be made to place the housing decision within a context of other considerations faced by the individual and the community.

FINAL COMMENTS

In the introduction, I noted that the question is not how much economics should be included in consumer education, but rather how explicitly the economic analysis should be developed. It should be clear from the material discussed above that there is considerable latitude in terms of analytical development. Material on public finance, for example, might be developed at length or merely discussed in more general terms.

There is a trade-off, of course, between time spent developing economic analysis and time spent covering additional content areas. Individual instructors must make those judgments for themselves. However, a concept may be useful even though it isn't developed explicitly; one need not develop Lancaster's model to make use of his concept of characteristics.

Although the economic model may serve as a guideline for consumer education, it should be clear that consumer economics must go beyond material covered in economics. In the discussion above, I included values, the idea of community and political action, none of which are covered at length in economics. It is fair to say, then, that consumer education should include, but not be limited to, economic education.

In that sense, consumer education is more general, drawing on a variety of ideas. That presents a challenge to the consumer educator, who must be able to integrate a variety of material while maintaining rigor and focus. However, for those with a taste for investigating how the various facets of the consumer's environment interrelate, the challenge should be welcomed.

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A Response to "Analysis of Content in Two Units: Housing and Public Goods and Services"

William B. Walstad

THE IMPORTANCE OF HOUSING

Housing is a well-established topic in consumer education. Herrmann, for example, reviewed fifteen consumer education texts which were published over a forty-year period. He found housing included in all the texts but one, and concluded that "the topic has received extensive coverage—more than any other buymanship topic" (1979, p. 24). While the specific content of the housing units shifted over time to include more discussion of renting and mobile housing, the general importance of housing in consumer education texts remains constant.

This importance is further illustrated in the extensive coverage of housing in nine texts published in the last four years (Garman and Eckert 1979; Jelley and Herrmann 1978; Maedke *et al.* 1979; Morton and Rezny 1978; Oppenheim 1977; Plunkett 1979; Shoenfeld and Natella 1975; Warmke and Wylie 1977; Warmke *et al.* 1977). The number of pages devoted to housing (including property insurance) in the texts range from seven percent (Schoenfeld and Natella; Warmke and Wylie) to fifteen percent (Morton and Rezny), with the mean for all texts being about ten percent (see Appendix 1). If the percent of personal income devoted to the purchase of goods and services can be used as a rough guideline for textbook coverage of topics in consumer education, then the ten to twelve percent of textbook space devoted to housing compares favorably to the ten to twelve percent of personal income spent on housing.

In addition to textbook coverage, the housing topic is studied in a

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number of secondary school subjects. Armstrong and Uhl (1971) reported that 61 percent of business education courses, 37 percent of home economics courses, and 33 percent of social studies courses treated the housing topic. The specific type and degree of treatment cannot be ascertained from the survey, but many teachers, especially in business education, consider the topic to be worth studying.

HOUSING UNIT CONTENT

Given the history and importance of the housing topic, one would expect that housing units would be fairly standard across current texts. In fact, most housing units in consumer texts appear to answer the following questions:

(1) What *alternative* types of housing are available?

(2) What are the *advantages* and *disadvantages* of the major types of housing?

(3) What factors are important to consider in the *selection* of a house, an apartment, or mobile home?

(4) What type of *financing* is available for housing purchases?

(5) What *legal* information is required for buying a house or renting?

(6) What are the *social* problems in housing?

Certainly not all texts answer questions in the order listed and the discussion of points may be split between chapters. The six questions do, however, shape the treatment of the housing topic.

Typically, housing units cover the alternative types of housing by defining characteristics of single family housing, rental apartments, cooperatives, condominiums, and mobile homes. Most attention, of course, is devoted to single family housing, but information on condominiums, rental apartments and mobile housing is capturing greater attention in current texts. Some books recognize that housing needs may vary over the life cycle as the family needs change and stress how types of housing people purchase is a function of their values, goals, and resources (Garman and Eckert; Jelley and Herrmann).

Most texts also evaluate some of the *advantages* and *disadvantages* of alternative types of housing. This section is the most analytical in the housing unit, but the analysis is often spread over the unit. As will be noted later, this question could be treated in more comprehensive fashion by integrating both economic concepts and consumer decision making into the analysis.

After discussing the differences between types of housing, texts examine the *selection* factors to consider within housing of similar type.

These factors might include the security, space, equipment, utilities, location, neighborhood, or design of a rental apartment, house, or mobile home. In other words, these are the factors to keep in mind after you have decided what type of housing to purchase and are deciding where to live.

Financing the home purchase is a major section in the texts. Included here are types and terms for mortgages, sources of mortgage funds, closing costs, taxes, and repairs. Also important to this section is property insurance since insurance is a necessary cost of home ownership. The specific treatment of insurance varies greatly by text, with certain texts including the home insurance section in the housing section and other texts covering property insurance with other housing topics.

Most texts outline the *legal* problems of home ownership. This subject includes title, contracts, and other legal rights and responsibilities of home ownership. Legal information for renters is also presented on such subjects as lease agreements and the relationship between tenant and landlord.

The *social* problems related to housing are discussed in few texts. Among the issues which have been mentioned are discrimination, urban decay, suburban sprawl, and the provision of public housing (Morton and Rezny, 1978). The major concern in housing units appears to be information to help a consumer make a purchase decision and not the analysis of broader social issues related to housing.

ECONOMICS AND HOUSING

Housing units in consumer education texts contain limited economic content. This situation is unfortunate, given the ease with which economic concepts and understandings could be integrated into current textbook treatment of housing. A few suggestions should illustrate how more economics could be integrated into housing units.

First, consumer decision-making models presented in early chapters of consumer education texts could be more clearly applied to housing decisions. Defining the problem represents the beginning phase of the process. Here, the economic concept of *scarcity* can be used to explain why consumers worry about housing decisions. In purchasing housing services, an individual or a family has limited financial resources to satisfy housing *needs* and *wants*. This scarcity situation forces households to make a choice about how to allocate scarce income dollars to most effectively achieve goals. Purchasing housing is another example of the economic problem confronting all consumers and societies.

After defining the economic problem, other phases of the decision-making process could be implemented. That is, the alternative types of housing could be explained, and the important criteria (i.e., goals or objectives) for evaluating the alternatives could be presented. Most texts, as

previously noted, do present alternatives and criteria, but the treatment is spread over several chapters and rarely presented in an integrated fashion.

A decision matrix could be used to present the alternatives and goals in a compact format for analysis (Walstad 1980). Using the decision to buy a house or rent an apartment for the same monthly expense as an example, the alternatives are listed in the left column of the matrix and the criteria important to the decision would be listed in the top rows of the matrix, as shown in Table 1. Among the criteria to be considered would be: (1) mobility; (2) transactions cost; (3) investment potential; (4) tax advantages; (5) maintenance requirements; and (6) privacy or personal freedom.

In the analysis phase of the decision process, each of the alternatives would be compared against each of the criteria, with the plus (+) or minus (−) respectively indicating whether an alternative achieved (+) or worked against (−) an objective. Weights could also be attached to each objective to indicate importance. In the example, renting appears to achieve the goals of most mobility, lowest transaction costs, and least maintenance requirement, for a zero net score. The home purchase achieves the goals of best investment potential, best tax advantage, and most privacy, for a zero net score. Given the equal weighting of objectives, the buy or rent decision could go either way. Personal values, though, enter the decision matrix in the weighting of goals and serve to explain why two consumers, given the same alternatives and criteria and using a rational decision process, can make different choices.

The decision matrix is not a mechanical way of making a choice. The matrix allows for a concise presentation of information and a rational discussion of a major purchase using economics. In the analysis, the *opportunity cost* of a decision is illustrated. If the house is purchased, a person gives up the opportunity to use the resources for renting. In situations where there are more than two alternatives, the opportunity cost would be the next best alternative. While the concept of opportunity cost is fundamental in economics, few texts even mention the concept, and none apply it to the housing purchase. Also, the matrix illustrated the *trade-offs* among goals in the home buying decision. In deciding to purchase a home, a person trades off a certain degree of mobility, maintenance freedom (time), and transaction expense for the goals of investment potential, privacy, and tax advantages.

Deciding whether to buy or rent represents only one example of a set of interrelated decisions to be made about housing. Other decisions might involve choosing among different types of apartments or selecting the best type of mortgage for a home purchase. In each of these decisions, and others, the decision-making process can be used and the opportunity costs and trade-offs among goals presented.

Second, in addition to placing the housing purchase in a decision framework, more discussion is needed in housing units on the operation of the housing *market*. The housing market is fairly competitive and some consideration of *supply and demand* and *equilibrium price* condi-

TABLE 1

Decision-Making Matrix to Rent or Buy Decision

Alternatives	Criteria (i.e., goals or objectives)						
	Mobility	Tax Advantages	Transaction Cost	Investment Potential	Maintenance Requirement	Privacy or Freedom	Total Score
Buy a house	−	+	−	+	−	+	0
Rent an apartment	+	−	+	−	+	−	0

tions may offer insight into possible changes in the prices of housing. The market approach will involve identifying factors influencing the demand and supply of housing to help students understand past trends and future developments. Information problems in the housing market and the economic role of the realtor could be included in the discussion. This housing market analysis does not need to be extensive. Some texts do present the basic market concepts in early chapters, but fail to apply the concepts to specific purchase decisions such as housing.

Third, the subject of *government intervention* into and regulation of the housing market offers another opportunity for discussing economics. For example, a city or a state may pass a rent control or usury law measure to protect consumers. The previously developed skills in supply and demand analysis could help students weigh the marginal costs and benefits of government intervention into the housing market. Again, a decision matrix would be useful in clarifying the choices.

Government intervenes and regulates the housing market in other substantial ways through taxation policies or zoning laws or the provision of mortgage money. The taxation policy which allows deduction of interest expenses is an example of *economic incentives*, a basic economic concept which deserves further attention in consumer texts. Zoning laws or building codes which restrict suburban sprawl or limit types of construction can be used to illustrate trade-offs among social goals. For example, zoning laws which restrict suburban sprawl may promote the social goal of preserving environmental quality but may work against personal economic freedom. Building codes which specify construction material or procedures may promote consumer protection (safety) but work against economic efficiency by maintaining the quasi-monopoly position of laborers or suppliers. Government intervention issues placed in a decision framework can be discussed in a rational analytical manner to clarify the choices so that strong opinions or emotions do not replace analysis.

Mortgages are a topic in housing units requiring more economic discussion. FHA or VA loans are examples where the government has intervened in the housing market to promote the social goal of economic justice or "equity" for lower income home buyers or veterans. Also, the federal government has an important effect on the supply of mortgage funds through *monetary policy* and the regulation of competition in the banking industry (i.e., Regulation Q). Exploration of policy alternatives which can influence the supply, demand, and price (interest rate) of loans in light of economic goals would reinforce previous analysis.

In summary, substantial opportunities exist to identify, develop, or reinforce basic economic concepts in housing units in consumer education texts. The decision-making framework, discussed in early chapters, could be reintroduced to help consumers clarify the choices involved in housing decisions. The market mechanism and related concepts could be used to analyze housing situations, and the rationales for government intervention into and regulation of the housing market could be illustrated with discussions of issues which may directly affect consumers.

PUBLIC GOODS AND SERVICES

In contrast to units on housing, the coverage of public goods and services is not fully developed in consumer education courses or texts. The Purdue Consumer Education study reviewed the subject matter treatment of consumer courses and noted that "greater attention is being given to consumer behavior in the private sector (consumer in the economy, family income management), than to consumer behavior in the public sector (taxes, community consumption)" (Armstrong and Uhl, p. 529). Moreover, a historical review of consumer texts showed that over 90 percent of the texts discussed taxes, but only 50 percent discussed the nature of public goods and the rationale for financing them through taxes. An even smaller percentage of the texts examined procedures for determining the supply of public goods, and only one text considered the quality control of public goods (Herrmann, p. 34).

Another indication of the neglect of public goods in consumer education texts can be obtained by examining relative space coverage in nine current texts. The subject is typically covered in such chapters as the "economic role of government" or "taxation." These chapters or sections account for only about three to six percent of textbook space in five of the texts (Garman and Eckert; Jelley and Herrmann; Maedke *et al.*; Schoenfeld and Natella; Warmke and Wylie) and no substantial coverage in the remaining four (Morton and Rezny; Oppenheim; Plunkett; and Warmke *et al.*). Even including the pages devoted to "social insurance" would only increase the space percentages slightly and would be distorting since most social insurance chapters discuss the mechanics of social security and not social insurance as a public good. Thus, given the approximate 35 percent of personal income used to finance public goods, the topic needs more coverage in current consumer textbooks.

CONTENTS OF PUBLIC GOODS UNITS

A few consumer education texts provide good models for presentation of information on public goods. The most comprehensive analysis is found in Jelley and Herrmann, which discusses the functions of government, addresses the question of when the government should provide government services, examines whether the society spends enough on public goods, and explores the problem of quality control of public goods. Descriptive coverage is found in Warmke and Wylie, which lists the special services provided by government, explains the growth of government services over time, and illustrates how government aids certain groups in our society, such as business or agriculture. Also, Maedke *et al.*, in a lower level text, briefly describes the three types of government economic activity (i.e., public services, regulation, and income redistribution), and explains the reasons for the growth of government

spending. The content, then, suggested in the few texts which treat the public good topic basically consists of describing government services and stating reasons for their growth. With the exception of one text, Jelley and Herrmann, little analysis appears to be included in the discussions.

The above texts also contain chapter treatments of taxation. The coverage is fairly standard: The type of taxes are defined, the principles of taxation are presented, and the uses of taxes are explained. Two other texts which do not devote a chapter to the "economic role of government" do discuss taxes in a separate chapter (Garman and Eckert; Schoenfeld and Natella). Apparently, how government finances expenditures may be more important to discuss than the reasons for the financing, the public services provided, and the trade-offs between public and private goods.

Some texts either treat inadequately or completely omit chapter coverage of public goods or taxes. Oppenheim scatters the discussion of public goods over a few chapters throughout the text and tries to handle taxes in three pages in the final chapter. Plunkett describes how to figure your federal income taxes in an appendix, but otherwise neglects the topic. Texts by Morton and Rezny and by Warmke and Wylie contain no chapters or sections related to public goods or taxes.

PUBLIC GOODS AND ECONOMICS

One study has speculated on the reasons for the neglect of public goods and related topics of government regulation, human capital, and consumer protection:

> The failure of these topics to find a place in consumer education seems to be a result of the absence of any clear perspective on their application. A good deal of conceptual and empirical work has been done on these topics in economics, sociology and political science. This work has not, however, been organized and translated into a form which makes it easily transferable to consumer education (Garman and Eckert, p. 62)

The conclusion, however, may not be completely accurate, especially in regard to the application of economics to consumer education. Work by W. Lee Hansen *et al.* (1977) conceptualized the basis for economic education at the secondary level. This work may offer a useful means of developing a reasoned approach to the often complex and emotional discussion of public goods and public issues.

Several of the comprehensive consumer texts (Garman and Eckert; Jelley and Herrmann; Maedke *et al.*; and Warmke and Wylie) in early

chapters briefly discuss the broad economic goals for our society (i.e., economic freedom, economic efficiency, economic growth, full employment, price stability, economic justice, economic security, or environmental quality). Also, the consumer texts develop a decision-making approach (i.e., define the problem, list the alternatives, state the criteria, evaluate the alternatives in light of the criteria, and make a decision). The discussion of economic goals and decision making is not combined, though, in the chapters on public goods or taxes. This application gap is costly since consumer education texts miss an opportunity to progress from the descriptive to the analytical in the examination of public goods.

National parks, for example, are often listed in consumer education texts as one of the public goods of direct benefit to consumers provided by the federal government. Let us examine the question of whether to establish a new national park preserve covering a million acres of land. At first glance, this public good would appear to be beneficial to consumers and not overly expensive, except for any initial building, staff, or maintenance cost. But the application of the opportunity cost concept makes the expense much greater, for if the park is created, then timber, mineral, or water resources cannot be extracted and used for the production of private goods and services. The trade-off among goals also emerges here again, as the establishment of a park means that environmental quality is being given precedence over regional economic growth. Ultimately, personal values and special interest may determine an individual or group opinion on the park issue, but economic analysis promotes understanding of the nature of the choice.

As another illustration, personal budgeting is one important topic in consumer education, but the process of social budgeting is neglected. The budgeting process is quite similar for both groups. The problem for the family deciding how to allocate scarce resources to achieve family wants and needs is not too different from a federal, state, or local government deciding how to allocate scarce tax dollars among social needs and wants. Of course, social decision making can be more difficult than personal decision making, because of the larger number of special interest groups who lobby for a particular social goal, but both processes have similar elements of decision making.

Besides improved presentation of the social decision making process, another suggested change for public good units would be additional explanation of the rationale for government intervention into or regulation of the market. "*Market failure*" problems, due to externalities, lack of information, or resource immobility, or "*market structure*" problems, due to monopoly power or price fixing, could be illustrated with applications to consumer issues. The concept of *externality*, for example, is rarely applied to public good units. Yet government intervention into the market to provide health care programs or education is due to potential indirect benefits to society from these actions. Conversely, the private costs of producing a good in the market system may be much less than its social cost, so that policy actions are taken to reduce negative externalities, such as pollution. The concept of externality and tax, subsidy,

or regulation policies designed to limit negative externalities or encourage positive externalities needs more coverage.

In addition, the regulation of natural monopolies, such as public utilities, is often considered in consumer education texts as an example of the legitimate activity of government. This *market structure* treatment could be expanded by examining the potential problems of regulating privately owned monopolies—determining "fair" rates of return on investment, measuring company investment, and maintaining efficiency. In cases where government and not a private firm operates the monopoly, a framework for evaluating public performance needs to be presented. Consumers are directly affected by government's ability to regulate an industry or provide goods and services, and prior exposure to performance issues may be useful to students.

Finally, redistribution of income and economic stabilization are considered to be major functions of government and these topics could receive expanded coverage in consumer education texts. Taxes and transfer payments provide economic incentives or disincentives for people to behave in certain ways and often work for or against economic goals, such as economic freedom or economic justice. Examples of the predictable effects of taxation policies at the federal, state, or local levels would help develop this understanding in the analysis of policy issues. Most texts describe the rationale for types of taxes, outline sources of revenue, and show how taxes are used, but only a few texts (Garman and Eckert; Warmke and Wylie) look at taxation or transfer payment issues, or the relationship between taxation and fiscal policy.

CONCLUSION

The most difficult question to answer for this paper is "what does the 'average' consumer need to understand about housing or public goods and services in order to function in the marketplace?" Answering this question involves an obvious value judgment and many assumptions about who the "average" consumer is. Also, what the "average" consumer needs to know now may drastically change over the next five years as the consumer markets change. With this understanding, an answer will be attempted.

The content analysis shows several consumer education texts which appear to cover adequately the necessary consumer information about housing and public goods. What seems to be missing from even the best text is the application of the consumer decision making to the housing or public goods purchase. Although information on the housing market is important to the "average" consumer in making a good housing purchase, consumer information quickly becomes dated. Once, however, a consumer decision making skill is developed, it can be used to resolve many consumer problems. Decision making is not learned from reading

one chapter in a text, but needs continual reinforcement in public and private decision situations.

Moreover, an understanding of basic economics is essential. The application of economic concepts to personal and social problems enables the average consumer to weigh more effectively the costs and benefits of proposed solutions. Basic economic knowledge, then, helps the average consumer select relevant consumer information and analyze decisions in the marketplace.

What is being suggested is not a drastic restructuring of consumer education. In fact, the elements of personal and social decision-making are found in most texts, and economic concepts can be integrated into purchase discussions without great effort. The benefits from the needed changes would include an improved understanding of consumer decision-making and economics for students. The question that remains to be answered, though, is whether the incentives are sufficiently strong to motivate individuals or groups to make these changes.

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APPENDIX 1

Estimates of Consumer Education Texts Coverage of Housing and Public Goods/Taxes Units

	Housing		Public Goods/ Taxes	
	pp.[a]	%	pp.[a]	%
1. Garman and Eckert (512 pp.)	56	10.9	30	5.9
2. Jelley and Herrmann (552 pp.)	53	9.6	35	6.3
3. Maedke, *et al.* (520 pp.)	51	10.0	21	4.0
4. Morton and Rezny (374 pp.)	58	15.5	0	0.0
5. Oppenheim (415 pp.)	31	7.8	3	0.01
6. Plunkett (406 pp.)	47	11.6	5	0.01
7. Schoenfeld and Natella (364 pp.)	27	7.4	11	3.0
8. Warmke and Wylie (650 pp.)	48	7.4	33	5.0
9. Warmke, Wylie, Sellers (522 pp.)	48	9.2	0	0.0
Mean Percentage		9.9		2.6

[a]Measures relative importance of topic in texts. Estimates may not reflect quality or comprehensiveness of treatment. End of chapter exercises included in unit and total book page counts.

Chapter 7 Evaluation Designs and Instruments for Economic and Consumer Education

Evaluation Designs and Instruments for Economic and Consumer Education – *Thomas Duff*

Response – *Lee Richardson*

Whither Now? – An Examination of Office of Consumers' Education Programs – *Mary Beth Minden*

Evaluation Designs and Instruments for Economic and Consumer Education

Thomas B. Duff

INTRODUCTION

Attempting to prepare a position paper on any topic which has had as much written about it as evaluation is a difficult task. A thorough literature review on the topic of evaluation could consume a lifetime. Even when the topic is narrowed to a discussion of evaluation in a specific subject area such as economic and/or consumer education and more specifically to evaluation design and instruments within that specific subject area, it is difficult to imagine that anyone could possibly prepare a paper which would provide a complete coverage of the topic. As Soper (1977, p. 23) pointed out at the beginning of a paper on evaluation in economic education for a previous conference, "The term evaluation, in the context of educational programming, is broad and somewhat forbidding to both the casual observer and the concerned professional."

Despite the forbidding nature of the task, professionals must continue to work at helping one another to learn more about evaluation in all areas of education by exchanging views and ideas on the topic. It is in this spirit that this paper is being prepared. The paper should be considered as *one* attempt to analyze the evaluation designs and instruments that have been used in consumer and economic education programs and projects.

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SPECIFIC PURPOSES OF THE PAPER

The general purpose of this paper is identified above. The three specific purposes of the paper are to:

1. Analyze evaluation designs used for consumer and economic education programs and projects in the schools, K-12.
2. Analyze evaluation instruments used for consumer and economic education programs and projects in the schools, K-12.
3. Present some general conclusions and recommendations related to evaluation designs and evaluation instruments for consumer and economic education programs.

Because of the focus of this paper, there are five basic terms which should be defined. The definitions are intended only to be definitions for the purposes of this paper. Therefore, no attempt is made to defend the definitions as appropriate for any other use.

1. *Economic Education.* A definition adapted from Hansen *et al.* (1977, p. 2): "Economic education is an area of study or activities whose purpose is to develop in people an ability to understand and make reasoned judgments about major economic questions facing society and themselves as members of that society in their roles as consumers, workers, and citizens."

2. *Consumer Education.* As defined by Monsma and Bannister (1979, p. 6): "Consumer education is an area of study which equips individuals and groups with the knowledge and skills to make effective choices and take action regarding the use and conservation of available resources in the public and private sectors consistent with individual values and societal needs." (This definition was adapted in part from a previous definition by Sandra L. Willett, National Consumers League.)

3. *Evaluation.* As defined by Worthen and Sanders (1973, p. 19): "Evaluation is the determination of worth of a thing. It includes obtaining information for use in judging the worth of a program, product, procedure or objective, or the potential utility of alternative approaches designed to attain specified objectives."

4. *Evaluation Design.* A formal plan for examining and judging the worth of a program, product, procedure or objective, or the potential utility of alternative approaches designed to attain specified objectives.

5. *Evaluation Instruments.* Any of the standardized, objective tests available for use in measuring consumer or economic understanding or literacy. To be considered in this paper, the test instrument must be readily available to persons throughout the nation and must be accompanied by a manual providing discussion and rationale related to the test items as well as standardization and norming data.

EVALUATION DESIGNS

A review of the literature and the evaluation designs which have been used in the past indicates that the designs are quite similar for consumer and economic education programs and projects. Therefore, it does not seem appropriate to allocate a great deal of time attempting to distinguish between the designs used for the two types of programs. As the previously stated definitions indicate, the goals or objectives of the two areas are very similar and involve a great deal of overlap when considered in their broadest sense. Indeed, the definition of "personal economics" presented by Lovenstein and used as the basis for a series of curriculum materials related to business education, home economics, social studies, and personal economics encompasses many of the words used in the two definitions provided for consumer and economic education in the previous section:

> Personal Economics is the study of the individual's decision-making and participation in economic life in the roles of income producer and receiver, consumer, and citizen—with emphasis on his activities of earning, spending, borrowing, saving, investing and influencing collective decisions as a citizen of the economics community (Canfield, 1971, p. 1).

More recently, in the Joint Council on Economic Education's Master Curriculum materials, Hansen *et al.* indicated that "emphasis must be given to preparing young people to grapple with both social and personal issues and questions" (p. 2). In order to do this, students must "be familiar with the concepts and approach of economics, and they must be able to apply them in a reasonable way so as to come to informed decisions on specific issues." In a report of the results of the 1978 national assessment of consumer skills and attitudes, *Teenage Consumers: A Profile*, it is stated that:

> Consumers can be described as playing four roles: (1) the informed citizen, (2) a purchaser or spender, (3) an earner, and (4) an investor. Each of these roles demand that the consumer gather the best possible information (usually from several sources), engage in some comparative analysis, synthesize the results of information gathering and analysis, and ultimately make a judgment about a vast array of available commodities and services (p. 1).

In essence, it appears that the basic objective of economic and consumer education is the same, to prepare persons to be effective decision makers. Given that the common objective of these two types of education is effective decision making, evaluation activities should be designed to determine whether or not students completing consumer and economic educa-

tion courses or programs are more effective decision makers. Judging evaluation activities in consumer and economic education using only this criterion would leave one disappointed at what has occurred and is currently being done.

Dawson reviewed approximately 800 studies related to precollege (elementary and secondary level) economic education and reported his findings in 1977. He reported that "the studies range from informal efforts involving little more than 'nose counting' to highly structured projects using the most sophisticated techniques of statistical analysis" (p. 86). He categorized the studies he reviewed into three categories: simple fact finding projects, studies a bit "more sophisticated in design and in the type of statistical analysis desired," and studies in which the researcher "exercised strong control by setting up an experiment and establishing conditions for study" (p. 86). He then concentrated his efforts on examining the results of studies from the last two categories, which accounted for 76 percent of the total. His purpose was to use the results of these studies to develop some general statements about the effectiveness of previous economic education efforts. Therefore, Dawson made no attempt to discuss, except in a general way, the quality of the evaluation designs related to the studies from which he gathered his information. He reported findings about the effectiveness of economic education in the aggregate based on findings of the individual studies he reviewed. If one assumes that each of the individual studies involved was designed to insure internal and external validity, one can accept Dawson's findings, conclusions, and recommendations. It is disappointing to note, however, that none of the findings, conclusions, or recommendations contains a direct reference to the major objective of economic or consumer education programs – preparing students to be effective decision makers.

In 1976 the Policy Studies in Education prepared a document which, according to the title, was designed to report on the "Effectiveness of Economic Education in Senior High Schools." This group collected and examined individual evaluation and research studies in economic education and prepared "research-based generalizations about the relation of economic education programs to economic learning in senior high schools (grades 10–12)" (p. 13). Again, there is no indication that any close scrutiny of the evaluation designs of the individual studies was completed before the findings were combined to create aggregate generalizations. The final report does caution that "none of the generalizations are perfectly supported by the available research, indeed, there are many conflicting studies" (p. 5). Further, a careful review of the generalizations reveals that none of them contains a direct reference to preparing students to be effective decision makers.

The earlier paper prepared by Soper provides an excellent review and guide to evaluation design for economic and consumer education programs. He chose to restrict his decisions to what he called "hard" or "payoff" evaluation. He indicated that direct estimates of student gains in cognitive and effective abilities or achievements in economics should receive our closest attention, but his 1977 assessment provided evidence

that our delivery of concrete evaluative studies, especially at the precollege level, was wanting in many respects. Almost anyone examining the situation today would have to conclude that the delivery of concrete evaluative studies is still wanting in 1980. Basically, one could present Soper's paper at this meeting, because his observations and recommendations are as appropriate for 1980 as they were for 1977.

Several National Assessment of Educational Progress (NAEP) surveys have investigated 17-year-olds' consumer skills. The 1973 NAEP survey of consumer mathematics skills and the 1977 survey of basic life skills of 17-year-olds, which includes some consumer skills, generated an interest in completing a consumer skills survey. According to the *Guide to an Assessment of Consumer Skills* the survey items were administered only to 17-year-old students and "were designed to measure the skills, knowledge and attitudes that students who are nearing the end of their high school experience have for dealing with consumer issues" (1978, p. 1). With the help of consumer specialists and lay persons, NAEP determined that a comprehensive assessment of consumer skills should include the areas of consumer behavior, economics, and energy in addition to the personal finance and consumer protection areas included in the basis life skills assessment. A series of approximately 200 items or exercises was developed to be used in the consumer skills assessment, the number of items almost evenly distributed among the topical areas. Many of the findings of the NAEP survey were disappointing from the standpoint of the lack of knowledge 17-year-olds have related to certain areas of consumer information or behavior. For the purposes of this paper, it is encouraging to note that the items or exercises used in the NAEP assessment instruments appear to be designed to elicit responses which would enable one to make some judgment related to the decision-making ability of those participating in the study.

At this point in time, there is relatively little that is being done in the way of evaluation which could meet the rigor required to qualify as experimental research. Hillestad (1977) has outlined and discussed the criteria for a research design, the different types of experimental designs, the methods of controlling variables in experimental designs, and how experimental data should be analyzed. Any person planning to design an evaluation scheme could gain a great deal of helpful information from this brief, relatively simple discussion of evaluation. Soper's assessment of the state of evaluation in economic education in 1977 is still valid today. "One-shot, case study" types of evaluation which do not extend beyond one classroom, one course, one school, or one segment of the student population are prevalent. The results of the studies rarely appear in readily accessible places, and even more rarely are they of a replicable nature. Few of the studies have been adequately described. Therefore attempts to interpret and compare empirical results are, at best, tenuous. In addition, few of the studies have been completely free of methodological errors on the empirical side, which means that generalizations are difficult if not impossible to make.

More recently Bloom and Ford discussed the challenges and prob-

lems one can expect when attempting to evaluate consumer education programs. As is true for evaluation efforts in almost any area, three major problems were identified: "(1) developing measures of effectiveness, (2) choosing research design, and (3) interpreting results" (1979, p. 270). In order to develop measures to assess a program's performance, there must be clearly identified goals and objectives. Bloom and Ford indicate that "consumer education programs generally seek to change the knowledge levels, attitudes, behavior, and satisfaction of their students" (p. 271). They also suggest that pencil-and-paper knowledge quizzes and attitude scales can be used to evaluate some programs but that the use of these measures to evaluate programs which require measures of behavior is "more tenuous." Assessing effective decision-making skills with paper-and-pencil measures is certainly tenuous at best. Although it is more costly in terms of time and money, it may be necessary to use observational approaches to obtain behavioral measures. It has been suggested that students could be observed, without knowing it, while shopping in retail stores, while going through simulated shopping environments, or while completing other types of simulation or gaming activities. As noted previously, this type of evaluation is more costly, it may be more difficult to complete, and it does possess some of the same deficiencies as paper-and-pencil measures. However, observing student behavior as choices are being made, even though in a simulated environment, should provide a more realistic basis for measuring whether consumer education programs are actually achieving their ultimate objective of developing effective decision making skills.

Another evaluation approach which may prove effective is to evaluate how well people understand the decision making process and/or how well they can perform the various steps in the process. The "reasoned approach" to economic decision making, as described by Hansen, *et al.*, (p. 6), identifies six steps to be completed when making economic or consumer choices. The steps are very similar to those presented in other decision making procedures or schemes in other disciplines over the years – define the problem, identify and rank goals, identify alternative ways of attaining the goals, identify pertinent economic concepts and explore the effects of alternatives, analyze the consequences of each alternative on each of the goals, evaluate which alternative is best. It may be that economic and consumer education programs should be concerned with measuring and determining how well people can perform the various steps involved in decision making as well as measuring the overall decision making skill. For example, if a group of persons does not perform well on whatever measure is used to assess overall decision making skills, it may be because they all lack the ability to identify alternatives or to define the problem or issue clearly. There may be merit in attempting to assess how well persons completing programs can perform various parts of the overall process. Since this is an area of concern for both economic and consumer educators, additional investigation in this area is needed.

Choosing an appropriate research design poses a difficult problem

for those wishing to evaluate consumer and economic education programs. Most evaluation experts feel the true or randomized field experiment is the only appropriate research design because it is difficult to separate very small effects of typical social programs from effects of other variables when alternative research designs are used. As Bloom and Ford pointed out, "many evaluation researchers see randomization contributing to internal validity by ensuring the preprogram equivalency of treatment and control groups while they see field settings contributing to external validity." For most consumer and economic education programs conducted in the schools, however, the true or randomized field experiment is impractical or impossible because experimental control is difficult to obtain. Therefore, quasi-experimental designs, in which subjects are assigned to various treatment and control groups in a nonrandom fashion, are much more commonly used for evaluating programs in educational institutions. Correlational designs, in which only post-test data are obtained from treatment and control groups, are also in evidence. The strengths and weaknesses of quasi-experimental and correlational designs are addressed in evaluation research literature. Persons responsible for developing evaluation designs for economic or consumer education programs must become familiar with various research designs and must solicit the help of research design experts when selecting a research design to be used for evaluating the results of a program.

Once an evaluation plan has been developed and the required data have been collected, the researcher must interpret the data and prepare a report identifying the results or findings. This poses the final problem in the evaluation process. Interpreting the results of a study is not as objective as it may appear at first blush. Evaluation studies of all types very frequently report findings which indicate weak program effects. The researcher then faces the dilemma of deciding whether a weak, statistically significant effect (or lack of a statistically significant effect) is of any practical importance. As noted, this is a relatively common situation for evaluation in general, and it frequently occurs when attempts are made to evaluate the success of consumer and economic education programs as well. In their discussion of evaluation of consumer education programs, Bloom and Ford point out the fact that "a consumer education evaluator may have to decide whether a program should be considered a success if, for example, it only produces a small but statistically significant increase in consumer knowledge while producing a small insignificant change in consumer behavior" (p. 275). In order to accept the findings as having practical relevance, it must be ensured that the research design was appropriate for the program and that careful attention has been given to factors such as sample size, reliability of effectiveness of criterion measures, the manner in which treatment has been used with classes or teachers, and so on. Inferences related to the effects of a program should be based on the results of standard statistical tests applied to data collected as part of an appropriate research design selected before the program is initiated. Therefore, findings or results are a function of the quality and appropriateness of the research design, data collected,

statistical tests, and inferences made when analyzing the data. If there are weaknesses in any of these factors, it may be impossible to interpret accurately the results as indicating specific program effects.

EVALUATION INSTRUMENTS

As implied above, those responsible for developing evaluation designs for consumer and economic education programs need to spend a considerable amount of time and effort in developing a design which is appropriate for each program to be evaluated. In order to evaluate the effectiveness of a program, there must be a set of program objectives stated in such a way that informed, objective observers can determine whether or not the objectives have been attained. If program objectives are not expressed in operational terms that will enable one to verify readily whether or not they have been attained, there can be no meaningful evaluation. Once the set of verifiable objectives is developed, it is necessary to choose an evaluation instrument which will be used to measure whether or not the objectives have been attained.

In the case of economic and consumer education programs, the evaluation instruments are generally objective tests designed to measure something termed "understanding, competency, literacy, or skills" because the general objective of programs is usually stated in such terminology. Therefore, the discussion of test instruments presented here is limited to those which are cognitive or knowledge tests. Granted, there may be a need for effective test instruments in the consumer and economic education area, but there are currently few, if any, such instruments which are readily available and which have been debugged through national use. Review of such instruments will need to be done another time.

Two general options are available when deciding on a cognitive test instrument: use of a standardized, nationally normed test or development of a new instrument specifically designed to measure the effectiveness of the program involved. Standardized tests offer many advantages. They are standardized with respect to what is tested, how it is tested, and what the test score means. Soper states that the virtues of standardized instruments are widely known and quite compelling: "(1) they have been substantially 'debugged'; (2) they have known reliability characteristics; and (3) they provide a clear cut standard (i.e., the national norms) against which the activity to be evaluated can be compared" (p. 234). Ebel adds two additional supporting statements: "The content of a standardized test generally reflects a consensus of what is most important to test in an area of learning. Usually such a test is constructed with greater care and expertness than a typical teacher-made test" (p. 23). Indeed, the development of a test instrument is a very difficult task for anyone to undertake, especially if the test is to be reliable and truly objective.

If the content of a standardized test instrument is judged as being valid for determining whether the program objectives have been attained, the choice is an easy one. If there is no standardized test instrument which is judged as being valid for measuring attainment of program objectives, the evaluator faces a dilemma. A decision must be made on the trade-offs involved in using a standardized test, with all its technical advantages, which does not validly measure all of the objectives or in developing a test with more valid content which may be weak in reliability, objectivity, and other technical attributes.

Fortunately, there are standardized cognitive test instruments available which appear to be acceptable for use in many consumer and economic education program evaluations K-12. There are many cognitive test instruments which have been developed and used in economic and consumer education programs, but only six have been selected for inclusion in this paper. As noted in the definitions section at the beginning of the paper, only tests which are readily available to persons throughout the nation and which have an accompanying manual providing discussion and rationale as well as norming data were considered. This relatively rigid set of criteria was established to ensure that persons wishing to use the test instruments described in this paper could obtain copies of the instruments and the accompanying manuals which provide information related to the test development, content, and technical data such as reliability and norming data.

Only one of the test instruments discussed below was developed to be directly related to the area of consumer education. Four of the instruments were developed to measure the level of economic understanding, and one of the instruments was developed specifically to measure consumer and economic understanding, or "personal economic understanding," as the title implies. Assuming the major goal of both consumer and economic education programs is to develop effective decision makers, one can find items which will indicate whether a person possesses the cognition required to make effective consumer and/or economic decisions in each of the test instruments. As noted earlier, those wishing to use any of the instruments to evaluate effectiveness of a program must check the conformance of the instrument's content to the stated or implicit objectives of the program to determine if any or all of the items possess content validity. A brief description and analysis of each of the six instruments follows. Each description presents information related to the availability of the test instrument, the concept framework or content matrix from which test items have been developed, and the cognitive levels of the test items. The cognitive levels which are used are those identified in Bloom's original work: knowledge, comprehension, application, analysis, synthesis, and evaluation.

Primary Test of Economic Understanding (PTEU) Grades 2-3

Available from the Joint Council on Economic Education, 1212 Avenue of the Americas, New York, NY. Examiner's

Manual, 32 pp. $2.75. Test booklets, package of 25, $6.00. (1971).

According to the *Examiner's Manual*, the Primary Test of Economic Understanding was developed to provide information for students, teachers, and others involved in elementary social studies curriculum development in the primary grades. The test consists of 32 matched pair "Yes-No" items, or 64 individual items. The "Yes-No Matched Pair" format consists of reversed items for each concept – for every "Yes" item there is a "No" item intended to test the same content. The "matched" items are scored as one – the student must get both correct or the item is considered wrong. The authors state that "this technique has been devised to cope with the acquiescent-dissent biases and should cancel both effects" (p. 2). The directions indicate that each of the test items is to be read to the students while they follow along on a printed test sheet and circle "Yes" or "No" on an answer sheet.

The PTEU is constructed to measure the pupil's mastery of certain basic generalizations, understandings, concepts, and sub-concepts in economics which might be taught as part of primary-grade social studies content. The authors developed a framework from which test items were derived based on their experience in working with primary-grade teachers on economic education projects and on a careful examination of primary-grade textual materials developed by school systems. The conceptual framework consists of five major economic generalizations, a series of major economic understandings derived from the generalizations, and a listing of major concepts and sub-concepts which form the basis for the understandings. The five generalizations are:

1. Because of limited income, consuming units must choose which of their many wants for goods and services they will satisfy through purchases in the marketplace.
2. Scarce resources are required for the production of goods and services.
3. Households earn money income by selling services of their productive resources to businesses and, in turn, use household income to purchase goods and services from businesses.
4. Some of people's wants for goods and services are satisfied through government.
5. Households may save part of their money income.

The items in this test are written primarily at the lowest cognitive level – the knowledge level. As would be expected when dealing with primary-grade students, most of the items measure the student's ability to recall and recognize terminology and facts in a form relatively close to the way they were presented. There are some items which may be categorized in the comprehension level and perhaps one or two items in

the application level, depending upon how far one wishes to stretch the limits of that category.

Basic Economics Test (BET), Grades 4–6

Available from the Joint Council on Economic Education, 1212 Avenue of the Americas, New York, NY 10036. Examiner's Manual, 37 pp., $2.75. Test booklets, package of 25, $6.00. (1981).

According to the *Examiner's Manual*, the Basic Economics Test is an achievement test in the basic principles of economics designed for grades 4 through 6. The BET represents a substantive revision of the Test of Elementary Economics (TEE) which was developed in 1971. A revision of the TEE was completed to provide the nation's schools with an updated test based on the content of more current curriculum development materials such as materials in the Joint Council's *Master Curriculum Guide* for the Nation's Schools and *Trade Offs*, a series of videotape programs designed to be used with 9–13 year old children. Used properly, the BET will provide information concerning student growth, and the effectiveness of educational materials and teaching strategies. The test consists of two forms, A and B; each of the tests has 38 four-option multiple choice items. The items of the BET were originally constructed by a Working Committee consisting of two economists, one teacher educator, one reading specialist, and three elementary teachers. The content of the test is based on *Master Curriculum Guide* and *Trade Offs* materials. A test matrix, with one dimension being economic content and the other being level of cognitive functioning—knowledge, understanding and application—was developed from the content sources and used throughout as a guide in determining what was to be included in the test. The content categories for the BET are as follows:

I. Practicing a Reasoned Approach

II. Basic Economic Concepts
   - A. The Basic Economic Concepts
     1. Economic Wants
     2. Productive Resources
     3. Scarcity and Choices
     4. Opportunity Costs and Trade Offs
   - B. Economic Systems
     5. Nature and Types of Economic Systems
     6. Specialization, Comparative Advantage, and the Division of Labor
     7. Voluntary Exchange
   - C. Microeconomics: Resource Allocation
     8. Demand
     9. Supply

10. Markets
11. Price Mechanism and Interdependence
12. Competition and Market Structure
13. Indirect Costs
14. Indirect Benefits

D. Macroeconomics
15. Inflation
16. Money

E. Economic Institutions
17. Banking

The BET items have been developed to measure both mastery of economic concepts and ability to apply a decision-making model in order to reach decisions. Test items fall into three cognitive categories—knowledge, understanding, and application. Knowledge items are essentially memory items; they require the student to retrieve information, not to transform information into a new form. Understanding items are items that require the student to process information in a form different from the way in which it was received. The application category in the BET analysis combines Bloom's (1956) last four levels with primary weight on application. The application items primarily require the student to apply economic concepts, although occasionally some ability to analyze and synthesize may be needed as well. The majority of the BET test items (55%) are classified as items that require understanding, approximately one-third (32%) of the items are application items, and the remainder (13%) are low-level knowledge items.

Junior High School Test of Economics (JHSTE), Grades 7–9

Available from the Joint Council on Economic Education, 1212 Avenue of the Americas, New York, NY 10036. Interpretive Manual and Rationale, 38 pp. $2.75. Test booklets, package of 25, $6.00. (1974).

According to the *Interpretive Manual and Rationale*, the Junior High School Test of Economics was developed to provide (1) a means of measuring the effectiveness with which economics is being taught over the period of a semester or a year at the junior high school level, and (2) an instrument for diagnosing strengths and weaknesses in the economics curriculum at this level. The main use envisioned for the test is to aid teachers in evaluating and improving the effectiveness of their efforts to teach economics at the junior high school level. The test consists of 40, four-option multiple choice questions developed from a set of 80 questions originally drawn up by a committee of five persons—two economists with experience in economic education and three secondary level teachers with experience at the junior high school level.

The test is aimed at an evaluation of student understanding of basic

economic concepts and principles and their use in dealing analytically with economic problems. The matrix identifying the content categories of the test items indicates that items were developed for the following 11 general content areas:

1. Basic concepts: scarcity, opportunity costs, suppiy and demand
2. Gross national product and its determinants
3. Money, prices, and inflation
4. Government taxation and spending
5. Economic growth
6. Government policies to achieve full employment and price stability
7. Operation of a market economy: markets, consumer demand, and competition
8. Organization and role of the firm
9. Factors of production and distribution of income
10. International trade
11. Comparison of economic systems

The JHSTE test matrix classifies the test questions according to cognitive levels as well as content areas. The matrix indicates that the questions in this test are distributed almost equally among the first three cognitive levels: knowledge, comprehension, and application. As indicated previously, the knowledge category questions require mere recall or recognition of some type of knowledge – facts, definitions, terms, etc. Comprehension questions require recall or recognition plus the ability to associate or interrelate knowledge or information. Some persons refer to questions in this category as questions measuring understanding. Application questions require a person to select and use appropriate knowledge to solve a newly confronted problem. The person must be able to recall and associate knowledge or information and must be able to apply it to a new situation or to real-life circumstances.

Test of Understanding Personal Economics (TUPE), Grades 9–12

Available from the Joint Council on Economicc Education, 1212 Avenue of the Americas, New York, NY 10036. Interpretive Manual and Discussion Guide, 28 pp. $2.75. Test booklets, package of 25, $6.00. (1971).

According to the *Interpretive Manual and Discussion Guide*, the Test of Understanding Personal Economics was developed in conjunction with a series of Guides for teaching personal economics through the social studies, business and home economics curricula. The approach and emphasis of the series was designed to teach the application of economic analysis to personal decisions and to emphasize the interrelatedness of economic matters, both personal and social. Since this was a variation from what was generally taught in either economics or consumer education courses, a test was needed which could be used to help measure the

effectiveness of the approach. The TUPE was developed to meet this perceived need.

The prime use envisioned for the TUPE is to aid teachers in improving their teaching by evaluating the effectiveness of their efforts to develop student competency in personal economics, both as to the specific understanding achieved and the comprehensiveness of what is learned. The first step in producing the test items was to identify major understandings and skills set forth in the materials of the teacher's Guides. These understandings resulted primarily from a position paper, "Economics and the Consumer," prepared for the Personal Economics Project by Lovenstein (1971). The major understandings were divided into three major categories with subtopics as indicated in the following listing:

1. The Consumer and the American Economy
   - Personal economics and economic analysis; consumers, workers, citizens; many different consumers; the consumer and the American economy; markets; the consumer and the American economy; the flow of income, and four concepts which bridge the gap – freedom of choice, opportunity cost, income, and private, and public consumer interests

2. Income, Expenditures, Credit and Borrowing
   - The consumer and his income; consumer expenditures; the consumer and his budget; sales, bargains, labels and advertising; prices, income and expenditures, consumer credit, and borrowing

3. Saving and Investment
   - Saving and investing: the economy and the consumer; the individual as a saver; the individual as investor; the individual and economic risk

There is no identification or discussion of the cognitive level of the test items used in the TUPE. An examination of the items indicates that they are probably distributed in at least five of the cognitive categories: knowledge, comprehension, application, analysis, and evaluation. The first three categories have been briefly described earlier. Analysis questions test a person's reasoning, the ability to break down information into component parts and to detect relationships of one part to another and/or to the whole. This indicates that a person perceives and can pick out the most important points in material which has been presented. Questions in the evaluation category are designed to measure whether or not a person can judge and evaluate ideas, information, solutions, and so on. Correct responses to these questions indicate the person has the ability to make judgments based on criteria or standards.

Test of Consumer Competencies (TCC), Grades 8–12

Available from Scholastic Testing Service, Inc., 480 Meyer Road, Bensenville, IL 60106. Teacher's Manual of Directions,

27 pp. $0.80. Test booklets, $14.00 per package of 20 booklets, Forms A & B. (1975).

According to the *Teacher's Manual of Directions*, the Test of Consumer Competencies was developed by Dr. Thomas O. Stanley as part of his doctoral work. The test was prepared in response to a perceived need for a test instrument which could be used to determine the effectiveness of consumer education programs designed to fulfill the 1972 Illinois guidelines for consumer education. The TCC consists of two cognitive test instruments, Form A and Form B. Each instrument is a 55-item, four-option multiple choice test.

The basis for the content of the TCC is a document entitled "Guidelines for Consumer Education," the revised 1972 edition from the Illinois Office of the Superintendent of Public Instuction. The test content was prepared to ensure that questions related to each of the following 14 areas were included:

1. The Individual Consumer in the Marketplace
2. Money Management
3. Consumer Credit
4. Housing
5. Food
6. Transportation
7. Clothing
8. Health Services, Drugs, and Cosmetics
9. Recreation
10. Furnishing and Appliances
11. Insurance
12. Savings and Investments
13. Taxes
14. The Consumer in Society

In addition to this general content outline, a test content outline was written in the form of 55 performance objectives. A paired set of questions was developed for each performance objective so that two alternate test forms resulted.

There is no identification or discussion of the cognitive level of the test items used in the TCC. An examination of the items indicates that they are probably distributed in at least five of the cognitive categories: knowledge, comprehension, application, analysis and evaluation. Each of these categories has been briefly described previously. It does not appear that any of the TCC test items fall into the synthesis category, but there may be disagreement from persons who interpret the parameters of that category differently.

Test of Economic Literacy (TEL), Grades 11-12

Available from the Joint Council on Economic Education, 1212 Avenue of the Americas, New York, NY 10036. Discus-

sion Guide and Rationale, 54 pp. $2.75. Test booklets, package of 25, $6.00. (1979).

According to the *Discussion Guide and Rationale*, the Test of Economic Literacy is a test designed to replace the outdated Test of Economic Understanding (TEU) so that school systems have an updated evaluation instrument and researchers an updated set of tests for use in experimental settings. A working committee composed of economic educators, economists, and high school teachers analyzed the old TEU and developed a new matrix for the TEL. The primary value of the TEL should be in its ability to help assess student understanding of the basic economic concepts that it is essential for them to know to effectively fill their present and future roles as consumers, workers, and voters. The test consists of two equivalent forms, A and B, each having 46, four-option multiple choice questions.

The content of the TEL is based on the Master Curriculum Guide *Framework* (Hansen *et al.*). The test questions are broken down into seven general content areas and several more detailed content categories within the seven general areas. The seven distinct content categories are:

1. The Basic Economic Problem
2. Economic Systems
3. Microeconomics: Resource Allocation and Income Distribution
4. Macroeconomics: Economic Stabilty and Growth
5. The World Economy
6. Economic Institutions
7. Concepts for Evaluating Actions and Policies

In addition, a number of questions on the TEL involve one or more of the seven "statistical concepts" listed in the Master Curriculum Guide *Framework*.

The TEL test questions are broken down according to a five-level scheme of cognitive taxonomy. The cognitive taxonomy indicates that the TEL has test items which are distributed in the five cognitive categories of knowledge, comprehension, application, analysis, and evaluation. Each of these categories has been briefly described previously. The *Discussion Guide and Rationale* states specifically that questions have not been developed for the synthesis level because it is presumed that little or no synthesis is called for in the typical high school course or unit in economics.

CONCLUSIONS AND RECOMMENDATIONS

In the preceding sections of this paper, information relating to evaluation designs and instruments used in economic and consumer education has been presented. Based on the findings from the literature review

and attempts to gather information about evaluation activities in the economic and consumer education areas, some general conclusions can be drawn and some general recommendations based on those conclusions can be presented.

Conclusions

1. Based on definitions of economic and consumer education, it appears the major objectives of economic and consumer education programs and projects are similar. The major objective is to prepare persons with the skills and abilities required for making effective decisions regarding economic and consumer activities.

2. It is difficult to obtain information about the type of evaluation which is being completed in economic and consumer education programs. However, evaluation (as defined for this paper) seems to be a part of almost all economics and consumer education programs and projects.

3. Since the main objectives of both economic and consumer education are similar, it is appropriate that the evaluation designs which have been used for these programs should be quite similar. However, few if any of the evaluation efforts have been designed to determine whether persons completing economic or consumer education programs or projects are more effective decision makers than those who do not complete such programs and projects.

4. The evaluation designs which have been used in economic and consumer education programs and projects do not generally possess the qualities or rigors required in order to be categorized as experimental research. In fact, many of the designs do not even meet the criteria established for quasi-experimental designs.

5. Because of the lack of rigor in most of the evaluation designs, it is difficult to accurately interpret, compare, or generalize the findings of the evaluation activities which have been completed for economic and consumer educaton programs and projects.

6. Evaluation instruments used in economic and consumer education programs and projects are generally cognitive test instruments designed to measure the amount or level of something termed economic or consumer understanding, competency, literacy, or skills possessed by persons. Standardized, nationally normed tests, locally developed and "teacher-made" tests are all used as evaluation instruments in these programs and projects.

7. There are a variety of standardized, nationally normed test instruments readily available for use in economic and consumer education programs and projects in grades 1-12.

8. There has been relatively little national dissemination of information

about evaluation design and findings from economic and consumer education programs and projects.

Recommendations

1. Since the major objectives of economic and consumer education efforts are similar, there should be a great deal of communication and a close working relationship between leaders and curriculum development efforts in the two areas.

2. Evaluation activities in both economic and consumer education programs should focus on determining whether persons completing such programs make more effective economic and/or consumer decisions than persons who do not complete such programs.

3. Research and investigation to arrive at the most efficient, economical method of determining whether persons possess the ability to make effective economic and/or consumer decisions must be completed.

4. All economic and consumer education programs and projects should have a set of objectives stated in such way that informed, objective observers can determine whether or not the objectives have been attained. They should also have an appropriate evaluation design selected before the program or project is initiated which provides inferences related to effects based on the results of standard statistical tests applied to data collected as part of an appropriate research design.

5. Since there seems to be an area of content overlap as well as some common overall objectives between economic and consumer education, a content matrix for consumer or personal economics should be prepared and agreed upon by leaders from the economic and consumer education movements.

6. A standardized, nationally normed cognitive test instrument based on a content matrix for consumer or personal economics should be prepared.

7. If a standardized, nationally normed cognitive test instrument based on a content matrix is completed for consumer or personal economics, the instrument should be used to collect data from consumer or personal economics programs and projects wherever feasible. The data and findings from these efforts can then be pooled to provide much better aggregate information regarding the effect of consumer and personal economic education activities overall.

8. Some effective method of communicating information about appropriate evaluation designs which can be used for economic and consumer education must be developed, along with a method of communicating information about the findings of studies which

have been completed. There needs to be a spirit of cooperation developed so that all persons working to attain objectives of the movements are willing to share information and expertise.

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A Response to "Evaluation Designs and Instruments for Economic and Consumer Education"

Lee Richardson

SYNOPSIS OF DUFF'S PAPER

The paper admits to the difficulty of covering a field as broad as evaluation of consumer and economic education and then proceeds to cover many important aspects of it. Setting forth objectives and definitions relative to the field, the author proposes a number of important concepts abstracted from the works of others as his standards for review of the progress of evaluation research. An important segment of the paper is devoted to a detailed examination of six available evaluation instruments that practitioners can order and apply in their own educational settings. The paper concludes with a number of useful observations in the form of conclusions and recommendations that could launch a dozen more scholarly articles.

DEFINITION OF TERMS

The evaluation of anything, educational or otherwise, carries with it the implication that we can trust the evaluators to examine a defined subject. Unfortunately, although one cannot criticize the scholarly qualities of Duff's paper, it is all too evident that the subject of consumer edu-

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cation eludes us. Those who evaluate it are deluding themselves, their readers, and whoever relies upon their advice or evaluation instruments.

Conceptual or philosophical definitions used by evaluators must first be widely accepted. The consumer education field in particular is torn by some important issues that require resolution before it is possible to devise universal evaluations of educational achievement. Among the issues:

1. Does consumer education embrace non-market services such as those provided by government? Social Security? Water? Police?
2. Does consumer education include consumption of goods and services provided by the household unit for itself? Cooking? Grooming? Landscaping?
3. Does consumer education include non-economic activities such as personal safety activities? Marital problems? Recreation activities?
4. Does consumer education include expenditures and activities related to obtaining and maintaining employment? Career education?
5. How does consumer education differ from established academic fields such as home economics, business education or economic education? This conference is not satisfied with the relationships between consumer and economic education to date.
6. Is consumer education positive or normative? If it is a prescriptive or normative field, what are the moral, value, or philosophical standards of the discipline?

The author cites the 1978 national assessment of consumer skills and attitudes as one likely authority on the subject of the scope of consumer education. The view of the consensus in that project, a consensus of many people in the consumer education field who were advisors and consultants to the landmark assessment effort, was that consumers played four roles:

1. an informed citizen
2. a purchaser or spender
3. an earner
4. an investor

The assessment team thus made a number of very important assumptions about the nature of consumer education, and these assumptions, rightly or wrongly, permeated the entire process of research design. An examination of the assessment will show that questions covered topics such as conservation and national energy policy. Perhaps the assessment fairly included such far-ranging topics under the heading of consumer education because the expert advisers collectively ranged over the field in the same manner.

The definition of the field from the perspective of the educator must include elements beyond the scope of subject material in the sense of taxonomy. In order to guide the evaluation process it is necessary to have operational objectives, not mere philosophical ones. What skills are desired, for example? Does consumer or economic education involve teaching of elementary arithmetic in order to calculate an interest rate or unit price? If yes, then the consumer educator is responsible for teaching addition, subtraction, multiplication, and division. The economic educator is likewise held responsible for the ability of a student to write a sentence, read a paragraph, and understand the society in which economic activity occurs.

Of course, whether the economic or consumer educator was responsible for the grim results of the 1978 assessment or the similarly disappointing results of any other evaluation does not change the fact of grimness. As an aid to specific educators and their roles in such overall calamities, bottom line results are not enough. The key question is still, "What is consumer education or economic education?" The corollary is, "What should economic or consumer education achieve in terms of learning?"

Lest it be concluded that the identification of the goals and objectives of either field will produce the equivalent of a sunrise, evaluators will be advised to note that any educational endeavor has multiple goals often inconsistent with each other. The consumer educator faces choices in goal setting, such as the desire to save people from unwise purchases balanced against the social and economic pressure of a system of education that does not want to offend important existing institutions in explicit ways. The economic educator has dilemmas such as the consumer benefits of open international trade versus the dislocations and unemployment that occurs for the less fortunate traders. Can there be an objective single answer today to the question of whether to save the Chrysler Corporation?

Designs and Methodologies

The author gives important perspectives on the nature of the existing instruments available to educators. The bulk of them are cognitive measures – measures of knowledge. Unfortunately, the scope of consumer education goes beyond cognitive issues. Also, evaluation tools available are generally quite weak.

At the risk of being unconventional, the individual educator can apply a definition of the subject to available instruments and cull questions and measures deemed inappropriate, but the educator who builds evaluation systems from the ground level faces a more serious problem. Duff's paper points out the necessity of standardized instruments. They form a basis of comparison between times, methodologies of teaching, students, or other variables. The teacher who has to give make-up tests faces the problem of standardization. Whether an existing instrument is adapted in some manner without invalidating it for comparison purposes can be a

legitimate matter for argument, but the educator's own test cannot be held up as a standard for any comparison.

Experimental design is ideal and hard to achieve. The author properly laments the lack of adequately described, replicable work. That which is available appears to be methodologically deficient. The paper includes a useful summary of the minefields found in the design of experimental field studies of the kind that could provide a measure of the effects of a given educational program. It is research specialty rather than the normal skills one should expect of the teacher or other educational communicators.

SPECIFIC EVALUATION TOOLS

The six readily available tests are described in some detail, but not against rigid criteria for their validity and other qualities. The six appear to vary considerably in typology and quality, if the descriptions are to be taken as indicators. The reviewer did not have the author's work papers and cannot attest to these quality factors. For the detail provided, the reviews are uneven and are in fact primarily descriptive summaries. The Test of Consumer Competencies is the only consumer education test instrument, and review of it is brief. Readers of these summaries should be able to determine whether they should order them for further examination; that alone is reason enough to read and save the paper.

CONCLUSIONS AND RECOMMENDATIONS

The author uses his final section to say many things not strictly pertinent to the structure of a formal paper—a pedantic criticism, but nonetheless stimulating. They cannot all be supported from the earlier sections of the paper. The first conclusion, that the major objective of both consumer and economic education is to prepare persons with the skills and abilities to make effective economic and consumer decisions, is difficult to accept. The evidence is not convincing. Likewise, it does not follow that, if there is one "main objective," evaluation designs should be "quite similar."

The recommendations launch many new thoughts. A standardized normed cognitive test instrument based on a content matrix is proposed. This is to be a national project collecting data from existing consumer or personal economics programs. Clearly, there is merit in the notion that more information must be developed by cooperating scholars in economic and consumer education in order to advance the state of the art in evaluation design.

Whither Now—An Examination of Office of Consumers' Education Programs

Mary Beth Minden

Shortly after I was asked to speak to this group, I visited a mountain home in the Western Rockies. I found there, tacked to the bulletin board, a most appropriate story for this session. It went something like this:

> One day a surgeon, an architect, and an economist were gathered to discuss their respective professions. The debate soon centered on whose was the oldest profession. The surgeon stated his position by noting, "Of course my profession is the oldest. Didn't it require surgery to create Eve?" Quickly the architect retorted, "Oh, no! It took an architect to construct a universe out of chaos. My profession is the oldest." To this the economist responded, "And who do you think created chaos?"
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> *Courtesy E. F. Schumacher*

Had I been there, I would have added, "And who do you think has been paying ever since?—the consumer!"

I quote this story because it brings to mind two very important facts. First, any field of study or discipline is not the same when viewed from different perspectives. Each individual attending this Proseminar is expected to see things differently. If you will, each is looking through a different pair of glasses, ground to a different prescription through training, experience, and value orientation. Each views the world according to his or her own professional "correction." Second, I would emphasize that

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all of us here have much in common. We can enjoy our mutual interests and the dialogue which the program affords. We can look forward to those points in our respective views where paths cross and mutual understandings may be identified. I doubt that we will leave on Friday in agreement, but I hope that we will leave with a mutual respect and better understanding of both consumer and economic education and with a sense of direction in regard to collaboration in the future.

I was first invited to provide an evaluation of consumer education projects based on four years' data collection by the Office of Consumers' Education. Since I am no longer with that office and do not have access to office records, I proposed a less formidable approach to program overview, and one better suited to dinner discussion. If you are interested in project statistics and program analyses, I refer you to the Office of Consumers' Education, U.S. Department of Education. Numerous reports have been issued, and I understand there are more to come. It is not my purpose to repeat what is already available or to pre-empt OCE staff efforts.

Tonight I will take a very personal approach to discussing the 4½-year program of the Office of Consumers' Education, U.S. Department of Education. I became associated with that office early in 1976 as a program specialist, and for three years I experienced the exhilaration and throes of getting a new federal program off the ground. I arrived during the first year of congressional funding, although the office and program had been established earlier. I watched the first proposals come in—839 of them. I became involved in all aspects of the "gearing up." And now, in 1980, I ask you to look backward with me and ask the question, "What has 4½ years of federal support for consumer education meant to that field of study and related fields?" Let's look at the subtleties, at some successes, and at the program, as opposed to a project level evaluation. What do we find behind the "project opened, project closed, project reported" cycle that appears to be the end-all of bureaucratic activity in granting agencies? Given the limits and role of a federally supported program, what has consumer education support meant to the public schools and to other grant recipients?

Of necessity, my approach to answering this question will be personal and more in the nature of reporting observations, an oral history technique that is open to question and bias, yet may yield insights not brought out through data collection and analysis. I have discussed certain questions informally with office staff, several project directors, and persons having a professional interest in either consumer or economic education. Since I left the office 17 months ago, I make my observations from a position of "limited distance." I hope these comments will be informative, if not profound.

At first glance most educators have viewed the major activity and usefulness of many government agencies, including the Office of Consumers' Education, as that of processing the annual deluge of proposals. Proposals to OCE were applications for 12-month grants. This exercise has led to a limited number of consumer education projects annually

—never more than 66 in any one year, and a total of 241 to date. There have been 2,870 applications, and only a little more than 9% have been funded in any given year. This funding mechanism is the most closely watched aspect of the OCE program, and to the disenchanted applicant, it is despairingly referred to as the annual trip to the public trough.

May I assure you that the disenchantment is found on the federal side, too! With high hopes for a program with national impact, what does the staff find all too frequently? Criticisms and questions roll out something like this: What can be done in 12 months that will make a difference? How can these narrowly defined projects teach us something that is transferable to others? With 60 projects a year, how can we reach the needs of the many target populations? How can this applicant ever reach a meaningful level of activity when he has never been involved in consumer education before? What good is a project when there is no promise of growth or continuation? This project is all over the place; what benefit can ever be achieved? These people don't even know what they are trying to accomplish. Can we help? Why does everyone want to start over—develop materials from the beginning, and for such a narrow interest? This project has a "do for" bias and has not involved the target group in planning. These leaders have no idea of the needs of their students—or haven't shown that they do. What now? Does this project director have any idea of what consumer education is? This proposal hasn't included an evaluation component. Can we ask for it? Why a second language here, of all places? Is this really the problem, or do they just want to establish a priority in order to stand a better chance in funding?

I think you get the idea. I could raise more questions, and so could you. The point is that 12-month projects are frequently messy and incomplete, and at the same time they are extremely visible. While some are very good and very special, overall they are not the best place to hang one's bureaucratic hat if one has to defend a program. Therefore, I would suggest that evaluation of grant *projects* is a management tool, but it may be quite incomplete in a *program* sense. The results are not additive and are scattered geographically; evaluation by leaders is frequently a flawed exercise. A *program* evaluation is needed and is something different. It should focus on the dynamics of what is happening in consumer education, and on the informal networking that is occurring among consumer education leaders and between them and OCE staff. It should look at those factors beyond grants that have a potential for impacting on consumer education and bringing about change. If, as has been said, change is a process and not an event, then the method of processing grant applications and of determining contract needs may be more important to consumer education nationally than is the cummulative report of the specific undertakings of 241 projects. A *program* review should take into account all factors which contribute to consumer education, and it is needed now.

No evaluation is meaningful unless purposes are understood and

clarified. The Congressional mandate to the Office of Consumer's Education is to "encourage and support consumer education at all levels." I suggest that 12-month grants are only one of several tools to use in accomplishing this purpose, and that individual projects are not the end product of this program. If one is looking for ways to encourage and support consumer education, monetarily and otherwise, all activities permitted by the legislation must be considered.

Let me describe what happens in the grant review process, a process that is minimally visible but that contributes greatly in encouraging the development of consumer education. From the beginning, almost excessive amounts of OCE staff time have been devoted to counseling individuals from all over the country. Mostly this has been done through office or telephone conferences. Exchanges have also taken place at professional meetings or in informal contacts. Discussions may start in response to a question about the "regs," but this leads to dialogue about what others are doing in the field, about an idea the inquirer has, about the nature of consumer education, about teaching materials available, or about strategies found successful by others. Through discussion, thinking is clarified and ideas are reduced to manageable size. This service is available whether an individual plans to submit a proposal or is merely seeking information for an ongoing program. Personally I feel that this method of "encouraging" has received too little attention in terms of its effect on consumer education. Our training has taught us to feel safer with "nose-counting" approaches to evaluation, but this is a federal program where individuals interested in evaluation should be encouraged to focus on the methods used to implement the program as well as the individual results of each grant.

The pre-closing-date counseling has been identified as contributing to the program objectives. The reading process of evaluating applications has also contributed to an expanded vision of the field on the part of those consumer leaders who have contributed. This judgmental process is both stimulating and frustrating, but it is also a learning process for participants. As an activity, it encourages understanding of the field.

Counseling sessions both prior to submission of an application and during reading sessions have had an impact upon OCE staff development. At the outset, the staff background was largely that of the professional educator, and staff members brought this strength to the management of the program and to the counseling process. As has happened with some individuals associated with consumer education elsewhere, the staff members have acquired a broad knowledge of the field and of the projects they administer. Today they are not only educators but also consumer educators. As an aside, let me note that in any group of consumer educators a majority have usually come to the field by commitment and not by training.

I do not wish to leave a mistaken idea that there are no successful 12-month grants or that there is no merit in that part of the program. There are many good projects, and some have been outstanding. Let me share some success stories with you:

1. In 1979 the Boston Consumer Council of Massachusetts initiated a project which proposed the development of an automobile owner's survival manual dealing with the purchase of goods and services for autos. Classes were held for consumers. The manual was distributed to participants and additional copies were made available throughout the state. *The success*: the manual is now being printed for national distribution by the U.S. Department of Transportation.

2. In the same year the Federation of Southern Co-ops in Alabama undertook a project to demonstrate the viability of credit unions as consumer education agencies. The methods and materials focused on low income people and the importance of working through indigenously owned or created organizations—in this case, credit unions. *The success*: A good show.

3. Also in 1979, In Touch Networks, Inc., New York City, developed a closed circuit radio program for visually handicapped adults. Programs were taped for rebroadcast. The project includes reinforcement through use of Braille. *The success*: A promise of continuation.

4. In 1976 Dr. Thomas Brooks directed a project at Southern Illinois University, Carbondale, in which he developed a model program of consumer education for prison residents, pre-release individuals, and parolees associated with the Southern Illinois Work Release Center. *The success*: The project director has decided to focus his considerable background in consumer education on the needs of this special population of the future.

5. In 1978 the Education Commission of the States undertook a project to determine what consumer education policies and mandates existed in all states and the District of Columbia. In addition to data collection, information sessions were held at the regional level for state representatives. *The success*: The policy manual and the information reported have been among the most useful materials generated through the grant process.

6. In 1978 the Maryland Citizens Consumer Foundation trained 100 consumer representatives on the Maryland Occupational and Professional Licensing Boards. A resource manual and student guide were developed, and two-day training sessions were held. *The success*: Although the initial training sessions focused on Maryland needs, this project has served as a model for other states. Sessions have been held in the state of Michigan and elsewhere, upon request.

How is success measured? In these six cases the outstanding qualities noted were (1) National dissemination beyond the stated scope of the project; (2) A quality project carried out under difficult circumstances; (3) Project continuation achieved by establishing need among the visually handicapped; (4) Commitment to the needs of a special population

group on the part of a nationally known consumer educator; (5) Collection and dissemination of much-needed information regarding state policies and mandates for consumer education—these being requisites to the development of the field in grades K-12; and, (6) Provision of consumer education to public service/government personnel, a much needed link in consumer education networking that is often missed.

A few projects have enjoyed another measure of success when they have been identified as worthy of continuation in funding. I cite three of these as special cases:

1. The Hawaii State Department of Public Instruction conducted an in-service program of consumer education for teachers during the years 1976, 1977, and 1978. This program has been unique in that it included the added dimensions of consumer, homemaking, and career education. *The success*: Good materials have been developed; the program is polylingual in nature and tailored to Hawaiian situations; the project is developed in a sound, step-by-step fashion. (The strength of this program is also its weakness, in that there is little that can be adapted to other populations.)

2. In 1978 and 1979 the St. Louis Public School District trained grade school teachers and community resource people in substantive consumer knowledge and developed facilitator teams to institutionalize the program throughout the district. *The success*: An unexpected finding in a separate evaluation of student achievements showed that those students that had participated in consumer education classes measured higher than other students in basic skills, notably mathematics and reading.

3. For three years the New York State Legislative Institute at Baruch College, New York City, developed materials and conducted workshops to demonstrate how older adults could be trained as consumer educators and could deal with teaching and social action. *The success*: The materials developed through this project are probably the best available if the purpose is "Seniors Teaching Seniors."

Such success examples demonstrate that grant projects can be outstanding, but there are weaknesses inherent in the grant system. When the program first started, "state of the art" papers and discussions always included criticism of consumer education teaching materials. Most frequently mentioned were the large quantity, the lack of quality, and the narrowness of content. It is true that many of the grant projects have and will continue to compound this situation. Not all materials development can be good, but are other factors involved? At times I prefer to look at preparation of materials as one of the best ways for an individual to develop understanding and leadership in the field. I suggest that rather than deplore the continual distribution of mediocre materials—and some are—we also look at the cadre of new leaders entering the field of consumer education. Some have been developed through the process of writing and preparing teaching or training materials. I further suggest

that we focus on the leadership development opportunities in any project activity, and also on the production of supplemental materials that may have been uniquely modified to meet the special needs of a target population. The world isn't perfect, but the arbitrary debunking of materials just because we appear to have enough is an elitist position that may not "hold water" in our contemporary society.

From the standpoint of K-12 consumer education, it might be argued that the public schools do not receive their "fair share" of the OCE appropriation, especially in view of the number of state mandates. Most other interest groups would argue the same point, but "fair share" was never a part of the legislation. In terms of enriching and encouraging school programs, some projects and contracts have had this purpose. However, federal support of consumer education has never meant to replace the state's responsibility to provide support for implementing state mandates. States are notorious for mandating curriculum content and then providing no money to carry out the mandate. In consumer education this has been true in most states, and school administrators are left to "hustle and train." The federal appropriation is no answer here except that OCE funds can enrich state programs and provide a vehicle for dissemination of information and experimentation with methods.

Another criticism of the OCE program is that the grant projects are scattered; they are too few; they are developed in isolation; and they do not add up. Maybe so—if one sits in Washington, attends a national conference, reads the annual list of project titles and purposes, or wasn't funded during the last grant cycle. However, none of us has a very good idea of the extent and depth of local impact that has occurred as a result of one of the isolated projects. Communication theory tells us that there is extensive informal dissemination of ideas, and many projects have been designed to take advantage of recognized dissemination principles. I would guess that there has been no attempt to document the results of such projects, but wouldn't a follow-up be interesting? For example, I would love to hear more reports like the one given about a project which included some very poor women in a small town. It seems that at first the local merchants were very skeptical about the project, and especially about the word "consumer." Didn't that signal some kind of trouble? What was the leader trying to do with those women? One of the merchants later reported his fears to the project leader and congratulated her on "making better buyers out of his customers." The interesting point is that some of those he mentioned had not participated in the project. They were neighbors.

This small project was not selected as a success story. It was a very average project; the proposal was funded, but it was not too well prepared. What I am suggesting is that the 241 projects have accomplished a number of things, some of which are visible and some not. A few have been remarkable in their accomplishments; some have been very mediocre. Each has in its own way provided "yeast" to the national consumer education scene. I would not do away with grants, even if I could, but I do caution that we should keep their purpose in perspective

and not allow them to dominate the scene completely. There are strong pressures that the total appropriation be used for a grant program; at the same time we know that grants may contribute to long-term program goals only indirectly. The contract/grant mix which has been used in the past 4½ years is a more useful programming tool and, given the present level of development of the field of consumer education, the practice should be continued. I can understand the individual consumer educator's desire for a grant, but at the present level of funding, the opportunity to increase the number of grants is limited.

Now for some comments about contracts. For the purpose of this paper, I shall limit my comments about the 4½-year contract record of the Office of Consumer's Education. Contracts too have not all been completely successful, but overall they have served a most useful program development purpose. They have:

1. Broadened the view of consumer educators and others as to what the field was about.
2. Drawn many individuals—other professionals and community activists—into the field; frequently these were people that did not call themselves consumer educators at the outset of the program and yet are contributing in a productive manner to consumer education programs and development.
3. Explored and identified integrating concepts between consumer education and more established fields of study, such as political science, nutrition, mathematics, economics, and law.
4. Provided a resource center.
5. Provided a vehicle whereby nationally recognized leaders in the field might examine consumer education for the purpose of giving direction to future development.
6. Given special assistance to program development for select population groups, such as Hispanics and rural Americans.
7. Drawn together information on history of the consumer movement, state regulatory processes, and university-level education available for preparation of consumer leaders.
8. Supplied radio spots to stimulate public interest in consumer problems and affairs.
9. Given opportunity for the Proseminar you are now attending.

This is only a thumbnail sketch of the contracting activity of OCE, and you will note that there has been considerable relating of consumer interests to other fields and disciplines. Consumer education in 1976 was viewed from a narrow perspective by a number of educators and leaders. Much of the content in the public schools was at the skills level, as were many efforts in adult and community education. The contract authority

has been used to enrich consumer education and to focus content on socially useful concepts, as well as to provide services to the field and to provide for networking. The challenge ahead is to consolidate the grant and contract efforts of this federal program; to broaden the citizen/consumer group that articulates consumer education needs; and to cultivate non-federal sources of financial support so that a self-sustaining, institutionalized program may result. As I read the congressional mandate, it does not suggest long-term federal support of consumer education. It does not even envision federal support commensurate with the needs of the increasing number of state mandates for K-12 curricula, let alone recognize the need for strengthening the numerous adult programs in the cities and smaller communities throughout the country. The efforts of the leaders in consumer education and those from related fields of economics, social studies, and mathematics should focus on institutionalization of the accomplishments of the past few years if progress is to be sustained.

Much of the above commentary deals with consumer education and related fields in the public schools. There is one overall gap in the development of the consumer field, one which must be filled through efforts outside any government program. There is no network for education of leaders in the consumer field at the graduate level. There are a limited number of degree programs; the academic and research base is exceedingly thin. Furthermore, if consumer educators wish to influence economic and other policies, there must be a respected and valued source of position papers, research projects, and dialogue focused on the major issues facing policy decision-makers. Such a voice and force is needed, especially in the present state of economic adjustment. High level dialogue is under way considering the desirability of new alignments among government, business, and labor interests. Where is the consumer's voice in these policy decisions? There is no center, no institute, no focal point for the development of consumer policy research or for impacting on policy decisions. There are small, independent agencies which focus on single topics and issues, but there is no equivalent to the Brookings Institution which can represent the consumer interest. In economic policy decisions there will be only limited recognition of potential impact upon consumers as long as there is no policy research input. A center or institute, if established, would have to be protected from close allegiance to government, to business, or to labor. A center would have to build its own position of respect and standing. As we look ahead, visionaries should give consideration to the development of a base for consumer policy research.

In some ways I have addressed only half of the audience this evening—the consumer education half. My comments, however, should be meaningful to those economic educators who have watched the growth of consumer education programs and mandates and are well aware of the potential if the two areas stand side-by-side in K-12 curriculum development. This overview has been given in order to provide understanding. The purpose of this Proseminar was to bring consumer and economic

education together in dialogue. By describing what has been going on in the Office of Consumers' Education, I hope that I have dispelled some false notions about consumer education today and have helped this group to develop insights and point to new directions. There is not one future for either group of educators, but there are many options and choices to be made about the future. Educators are free to choose, and choices should be based on understanding.

Moreover, it is my contention that a good deal of what the consumer field might like to do in the years ahead will be conditioned by the content with which economic educators deal: the economy, diminishing non-renewable resources, unemployment, and possibly new business-government relationships, to name a few. The Joint Council, with its interest in economic education in the public schools, has recently focused more strongly upon the need to bring economic understanding to students as consumers. I hope that this three-day session is only the beginning of discussions between consumer and economic teacher educators. There is much the two fields have in common, and those in either field have more reason to work jointly than to "protect the turf." If they do, it is the student who will win.

Chapter 8 Summary of Seminar Presentations and Participant Reactions

Summary of Seminar Presentations and Participant Reactions—
John E. Clow

Summary of Seminar Presentations and Participant Reactions

John E. Clow

A primary purpose of this seminar was the presentation of thoughts pertaining to the interface between consumer and economic education. This project came out of a previous USOE project, *Consumer and Economic Education (K-12): A Comparative Analysis*, which was the most recent attempt to define this relationship. A secondary purpose of this conference was to look at the evaluative measures used in both economics and consumer education – what has been done, what should be done, and what the two fields of study can learn from each other. An overview of what the Office of Consumers' Education has accomplished since its inception was also addressed.

One purpose of this summary section is to draw some of the ideas together which were presented. Also, a summary of the discussion by the participants will be given.

WHAT IS CONSUMER AND ECONOMIC EDUCATION?

The first two papers relate to what is consumer education and what is economic education. Both papers are a synthesis of work completed by noted leaders in the two fields. Rosella Bannister's paper is based on the Consumer Education Development Project funded by the Office of Consumer's Education, USOE. James Calderwood's paper is based on work by Calderwood and other economists in the Joint Council on Economic Education network. Primary reference is given to the *Framework for*

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Teaching Economics: Basic Concepts, 1977, a publication of the Joint Council on Economic Education.

The two authors use somewhat different procedures to define the nature of their respective fields. Bannister focuses on the needs, content, and objectives of consumer education. Calderwood looks at the same areas, but also includes some comments on the educational process to be used and the target audiences to be reached in promoting economic education.

A pervasive thrust in the Bannister paper is that consumer education should provide more experiences in preparing students to become proactive instead of reactive to the system or circumstances in which they find themselves as consumers. She says that the thrusts of personal money management and buymanship in the marketplace, hallmarks of consumer education, should be continued, but believes that the consumer should be better educated to take an active role in influencing change where deemed necessary.

Calderwood emphasizes that economic education should develop a process of thinking about economic problems. In developing this process, students should be taught to think logically, understand some basic economic concepts and the operation of our present-day economic system, and use economic knowledge in a variety of problem-solving situations. Calderwood stresses that economic concepts are necessary tools for students to know and use in reaching decisions about economic problems, whether at the individual or societal level.

The papers indeed show a basic difference between the two areas of study as defined by the writers. Knowing and using facts, knowledges, and skills for effective consumer decision-making, along with an ability to be an advocate for the consumer interest, are important ingredients in consumer education. Economic education is viewed as promoting basic truths and principles which can be used in analyzing various economics problems, be they in the consumer, workplace, or societal realm.

It is also true that consumer education and economic education are not synonymous. Some of the facts about purchasing various goods and services are the primary province of consumer education, not economic education. Likewise, the emphasis on looking at economic issues from a societal vantage point is not the major focus of consumer education, but has traditionally been the prime concern of economic education.

Another difference pertains to the role of advocacy. According to the Bannister definition of consumer education, advocacy for the consumer interest in the system is important. According to the Calderwood definition of economic education, which is accepted by the JCEE, economic education is primarily concerned with individuals understanding the nature of their economic world and economic problems and being able to use a rational, objective process for analyzing these problems. In a particular situation, an active advocacy role in changing the system may or may not be the choice of an individual after weighing the costs of the alternatives. Both recognize that consumer votes in the marketplace for buying or not buying specific goods and services are a

means of expressing the consumer interest. The Bannister definition, though, advocates that consumer education should involve changing the economic environment through legislation, formation of consumer groups, etc.

Even though there are differences, the papers provide an indication of the broad interface between consumer education and economic education. Bannister indicates that consumer education should include an understanding of various economic concepts. Fifteen concepts are listed as necessary for individuals to understand and analyze various problems. Both papers stress the need for emphasizing the problem-solving process, with an emphasis on looking at the trade-offs and opportunity costs of various alternatives. Also, there is a recognition that the interrelationship of such roles as citizen, consumer, wage earner, and investor should be taken into consideration when making economic decisions.

Discussion of these papers by the participants centered on the focus and content of consumer economics. Discussion seemed to emphasize the following points:

1. Consumer education should emphasize decision-making rather than the teaching of particular values and goals. There is no all-embracing consumer interest, but rather many problems that individual consumers must analyze for themselves.

2. Given that our objective in consumer education is rational decision-making, we cannot fail to include the role of personal values and preferences in the decision process. Because of variance in values, two individuals make different, yet rational choices in the marketplace. The individual consumer often has goals that conflict with the goals of others or with broad social goals. Also, something that is advantageous to the consumer in the short run may be harmful to his or her interests in the long run; for example, rent control might lower living costs in the short run while contributing to the development of a long-run shortage of rental units. Certainly this type of information should be an integral part of consumer education.

3. There may be more than one effective method of decision-making that could result in alternative choices. It is well to distinguish between *efficient* decisions, which concern careful analysis of the ratio of inputs to outputs, and *effective* decisions, which are evaluated in terms of desirable objectives accomplished. Effective decisions are made in an environment where there may not be time for consideration of all factors affecting the decision. Decisions have costs of time that often make prolonged evaluation of alternatives or efficient decisions too costly to the individual.

4. Economic concepts of voluntary exchange, substitution, market intervention, choice, and consumption are important to consumer education. While there was some disagreement among conference participants, it was generally felt that such macroeconomic concepts

as inflation and unemployment should be addressed in consumer education. Ecological and technological concepts were also felt to be important to the modern consumer.

5. An important and sometimes neglected topic is public and social goods and services. This is often an area of frustration for the consumer because he has less opportunity for redress when dealing with the government than with private suppliers of goods and services.

Discussion ensued concerning whether consumer education should be a separate course or integrated into several courses. Conference participants differed to some extent on the question of whether consumer education should be taught in a single course or aspects of it covered in several different disciplines. Those who conceived of consumer education as multidisciplinary emphasized the advantage that important topics could be taught to students in several disciplinary area rather than in a single, "all-or-nothing" course. Other participants, however, felt that this type of approach tends to fragment consumer education and prevent students from attaining a unified overview of the area.

CONTENT ANALYSIS

Six sets of papers relate to a textbook content analysis of four units typically found in consumer studies: credit, transportation, housing, and public goods and services. Each of the authors was asked to analyze the content of leading consumer education textbooks according to these units. The authors were asked to delineate the important concepts and economic understandings which should be developed in each of the areas. They also commented about the degree of coverage given the concepts and understandings in surveyed textbooks.

Credit and Transportation

For the credit and transportation units, the authors surveyed a variety of texts. Mandell primarily surveyed collegiate level texts, and Jelley surveys junior and senior high school texts. Mohr looked at both junior/senior high school and collegiate texts. Mandell and Mohr also both included in their analysis at least one "best-seller" type of money management guide.

The writers found that considerable space has been accorded the coverage of credit in the textbooks. There is general consensus that the texts emphasize advantages and disadvantages of using credit; sources, costs, and types of credit; credit legislation; procedures for establishing credit rating; and problems for the individual who becomes overextended. Some of the texts, especially those at the collegiate level, go beyond the "nuts and bolts" treatment. The authors, though, do see some glaring omissions, including little or no treatment of the social costs of

credit, factors which determine interest rates, and the influence of the Federal Reserve System on credit transactions.

The area of transportation was generally found to be given limited treatment. When covered, treatment of this topic focuses on buying and maintaining an automobile, with little treatment given to other modes of transportation, including mass transit. Other areas which the writers consider important that aren't emphasized in the textbooks include such topics as the social costs of automobiles, the importance of and cost of safety for automobile travel, nature and extent of government regulation, forms of government subsidization for the automobile, costs associated with funding and using non-automotive transportation, and factors affecting the price of gasoline in the future.

In both topical areas, the conference participants discussed various emphases which should be included in these areas of study. The following topics were mentioned as very important in teaching about credit:

1. using credit advantageously during a period of inflation.
2. adjusting uses of credit to the phases of a consumer's life cycle.
3. increasing the attention given to cost/benefit analysis of credit options.
4. identifying sources of information about credit for the consumer's use in the future.
5. understanding sources of credit used by low-income persons.
6 considering the motivations of creditors in offering credit.

Conference participants identified several aspects of transportation that consumers should know about. Foremost among these are knowledge about alternatives available for personal transportation beyond the automobile option, and the influence of advertising on transportation decisions. The effect of costly government regulation for both consumers and producers (e.g., automobile safety, airline deregulation) was also mentioned as being deserving of more attention in the consumer education curriculum.

Housing and Public Goods and Services

The second set of papers analyzes the content of the housing and public goods and services units of the consumer education course. Walstad and Warmke focus primarily on secondary level texts. Swagler looks primarily at post-secondary texts.

In regard to housing, there is general agreement that coverage is primarily oriented to factors traditionally perceived as private aspects of housing decisions. As Walstad indicates, housing units in secondary texts appear to cover such areas as alternative types of housing, advantages and disadvantages of types of housing, factors to consider in selecting a home, sources and types of financing alternatives, and legal information. Swagler indicates that many post-secondary texts focus on special questions of design, decoration, and furnishings.

The authors agree that the housing units in textbooks suffer from a

lack of economic content. As pointed out by Walstad, this is indeed a shame since there can be so many teachable moments for economics in the housing unit. He explores how scarcity, opportunity cost, supply and demand, equilibrium price, government intervention, economic incentives, and monetary policy can be easily integrated into the housing units to provide richer learning experiences for students. The use of a decision-making matrix for analyzing various housing issues and economic problems is also suggested. The listing of economic understandings for the housing unit suggested by Warmke includes many of these same concepts.

The authors also agree that public policy issues related to housing seem to be given little coverage. Walstad found that a few texts give some coverage to such social issues as discrimination, urban decay, suburban sprawl, and the provision of public housing. Treatments are generally superficial. Very little emphasis has been given to such areas as subsidies through tax policies, special mortgage arrangements, and the effect of money market conditions on home ownership.

The authors concur that the housing unit should reflect more than the "how to" approach. Obviously there is a problem of limited amounts of classroom time to cover all of the areas which are suggested. Swagler suggests that the goal should be not "to give students all of the information they will need to buy or furnish a dwelling; neither is it to make them into social planners or government experts. Rather, it is to make students aware of the dimensions of the issues and the patterns of interrelationships between private and public issues." Obviously, a lot of changes need to be made if this is to become a reality in many consumer education courses and units taught in our schools.

Public goods and services comprise an area which as received little attention in consumer education textbooks. This is ironic, since over one-third of the average consumer's income is paid to levels of government. Various reasons given for this shortcoming include the traditional focus of consumer education on buymanship in the marketplace, a general societal bias against public goods, and the absence of any clear perspective as to how to study this area.

The facet of public goods and services which receives the most attention is taxation—the method used to finance public goods and services. Some of the texts do describe various types of government goods and services and give reasons why governmental spending has increased. Very little attention is given to the types of public goods and services which are offered and ways the consumer can insure that maximum benefit is received from the tax dollars which are paid. Generally the coverage is descriptive, not analytical.

Several suggestions are made as to how to provide a more analytical coverage of this area. Swagler recommends that students be able to recognize the differences and similarities between purchasing private and public goods and services. Certainly the costs and benefits to an individual for private goods and services can be quite different than for public goods and services. However, the complaint processes used

against private companies and public agencies can be quite similar. Walstad recommends that much more attention should be given to using the decision-making process. Instead of looking at just personal values and goals, students should analyze various public policy matters with societal economic goals in mind (i.e., economic freedom, efficiency, growth, full employment, price stability, economic justice, economic security, environmental quality). In this way, students can better realize what people in the society get and what they give up when a particular public policy is adopted. He also notes that the area of public goods and services provides excellent opportunities to illustrate such economic concepts as market failure, market structure, and externalities.

Warmke delineates ten generalizations which should be covered in order for students to understand the role and functions of public goods and services in our economy. The generalizations reflect the interrelationship among the various roles of consumer, wage earner, and citizen.

Again the participants discussed important emphases which should be covered in each area. The following topics were considered important in teaching about housing:

1. Types of multiple-family dwellings, with analysis of advantages and disadvantages.
2. Housing as a flow of services.
3. Choosing from housing alternatives in light of lifestyle needs.
4. Use of the decision-making process in making housing choices.
5. Singles and their housing needs.
6. Sources of current information about housing.
7. The economics of the housing industry.
8. Housing as an economic indicator.
9. New types of mortgages.
10. The effect of home ownership upon credit status.

The following topics were identified as important in covering the area of public goods and services:

1. The role of regulatory agencies.
2. Costs and benefits of regulation.
3. The relationship between increased private consumption and increased needs for public goods and services.
4. How to pay for public goods and services and who should pay.
5. Tax incidence and tax equity.
6. Which goods and services should be provided by the public rather than the private sector.

In covering this area, participants believed teachers should emphasize topics close to the experience of students, such as provision of police and fire protection and the economic aspects of public education. There should also be discussion about tensions within society among groups and individuals with conflicting economic interests.

REACTIONS TO CONSUMER AND ECONOMIC EDUCATION (K-12): A COMPARATIVE ANALYSIS

The next set of papers comprises reactions to the model for consumer and economic education learning sequences developed as a result of a 1977 project funded by the Office of Consumers' Education. The director of the project, L. Gayle Royer, provided an overview of the project outcome at the conference. One major thrust of the project was the identification of concepts as relevant content for consumer education, economic education, or the interface between the two subjects. Further detail of the project can be gained from the publication entitled *Consumer and Economic Education (K-12): A Comparative Analysis.*

The authors of the papers are laudatory as to the pioneering efforts of the group involved in developing the study. Each paper includes the concerns of the authors about the model in addition to the specific models which the authors prepared as substitutions. Commonly mentioned concerns about the model include:

1. Lack of workable definitions of the terms used in the model.
2. Difficulties in the form of the model that prevent easy use by practitioners in the field.
3. Failure to give several basic economic and consumer concepts sufficient emphasis.
4. Undue emphasis on some concepts that are not considered very important.
5. Lack of agreement as to the groupings in which some concepts are placed.
6. Failure to recognize that consumer and economic educators define some of the terms differently.
7. Unclear rationale for the sequencing of the concepts.

Another concern is that the project findings have not been widely disseminated for input and reaction from professionals in both consumer and economic education. Certainly, this is one of the purposes of this project—to get wider dissemination and reaction to the question.

EVALUATION

Two papers relate to evaluation. One is an overall evaluation of the programming of the Office of Consumers' Education. The other is an analysis of evaluation designs and instruments in consumer and economic education.

Minden provides an overall view of the problems and successes of the Office of Consumers' Education over the last 4½ years of its existence. As with any organization that has limited funds, the Office has been unable to fund all of the "good" projects which could be done. Yet Minden believes that the Office's activities have made a number of positive contributions, including fostering communication among leaders in consumer education, encouraging interaction between consumer educators and leaders in other fields, promoting consumer education beyond the walls of the schools, and encouraging a broadened definition of consumer education to include more of a societal approach to consumer decision-making instead of emphasizing only personal buymanship. A major concern she discusses is the lack of a network of leaders in the consumer field at the graduate level to foster communication both inside and outside the field, to make a concerted effort to develop future leaders, and to do the necessary research needed to advance the field of consumer education.

The second paper, by Duff, looks at evaluation designs and instruments for consumer and economic education programs. A description of six standardized cognitive tests in consumer and economic education is also included in the paper. A number of major concerns are raised which are summarized in the conclusions section of the paper. The lack of studies which meet the criteria for experimental or quasi-experimental research designs is one of the concerns. Also, a mechanism for sharing research findings and strategies is lacking, which deters progress in the field. The instruments used in consumer and economic education have focused on cognitive development, not the effective domain or the ability to use the decision-making process.

In reviewing the Duff paper, Richardson echos many of the same themes and also points out some other dimensions. One of the major problems in evaluating consumer education learning is that those in the field have not generally accepted a common conceptual or philosophical base. Much of this is due to the amorphous, broad scope of the discipline as it is perceived by many. Thus, it has been difficult to develop an evaluation of educational achievement which is universal. As an example, there is no agreement on whether consumer education should be positive or normative. Richardson says that we have a long way to go in the area of evaluation. Scholars in both consumer and economic education should work together to improve the state of the art.

Discussions among the participants centered on the problems of evaluation, consumer education programs, and the dissemination and

coordination of research findings and programs. Some recurring themes of the discussion were:

1. Effective evaluation of consumer education must await development of specific, generally accepted objectives for the discipline.

2. Even though we do not have generally accepted objectives for the discipline at the present time, we should not abandon efforts at evaluation, especially if consumer education is to be maintained in the schools. Schools are increasingly asking for accountability. Consumer education is not entrenched in the curriculum of many schools. It may be eliminated by school administrators if they cannot see measurable outcomes on which to evaluate students. For the time being, school or statewide evaluation procedures should be initiated, based upon objectives for the discipline established by professionals in the school or state.

3. There is a need for a national professional organization which can coordinate and disseminate research findings and program evaluations in order to improve the quality of research in consumer and economic education. The Office of Consumers' Education does not rank this function high among its priorities.

RECOMMENDATIONS

Based on the papers, formal reactions to the papers, and the discussion of the participants, the following recommendations are made:

1. Economics and consumer education can be mutually beneficial to each other through increased interaction and cooperation, although the areas of study are not synonymous. More economic emphasis in consumer education instruction can improve the quality of consumer education courses as well as encourage greater economic literacy. In the opinion of conference participants, the interactions fostered at the seminar were beneficial and healthy. More conferences and cooperative endeavors should be planned for the future in order to keep the lines of communication open.

2. In the four topical units which were analyzed, there was too little coverage of economic principles. Also, there was an emphasis on descriptive information in the textbooks, with little consideration given to using an analytical approach for making decisions in these areas. More can and should be done in instructional materials to encourage more of an economic, analytical approach. Conference papers provide illustrations on how this can be done.

3. Considering the interest in and findings of the reports on the four units reviewed at the conference, other topical units in consumer education texts, such as buying professional services, insurance, and in-

vestments, should be scrutinized as to economic content and emphasis on the analytical approach.

4. The *Consumer and Economic Education (K-12): A Comparative Analysis* project was a pioneering effort to define economic content, consumer education content, and the interface between consumer and economic education. The reviewers of the model believe that it had a number of shortcomings; consequently, each has developed his/her own model. A need exists to have further work between economic and consumer educators in synthesizing the various models and arriving at some general agreement about the interface between consumer and economic education.

5. Research designs and instruments used in consumer and economic education suffer from a low level of sophistication. A source for coordination, dissemination, and research allowing encouragement for better research should be established.

6. A recurring theme throughout the entire seminar was the need for consumer education to have a carefully defined philosophical and conceptual base which is more universally accepted.

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